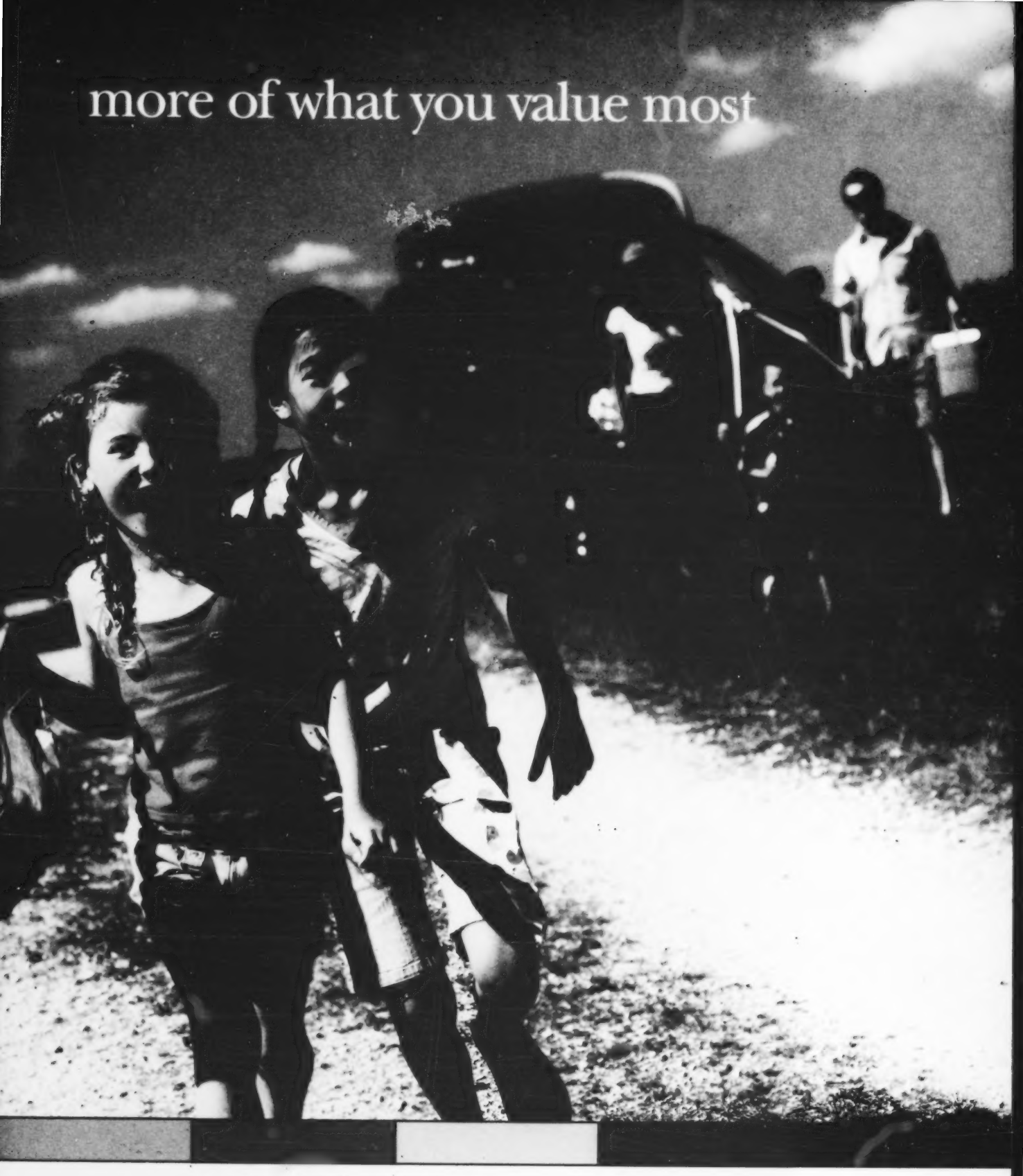


Manitoba Public Insurance

Annual Report 2005

Letters of Transmittal

May 12, 2006

Honourable Gordon Mackintosh
Minister Responsible for the Manitoba Public Insurance Corporation
Room 104, Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

In accordance with Section 43(1) of *The Manitoba Public Insurance Corporation Act*, I have the honour of submitting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2006.

Respectfully submitted,

Shari Decter Hirst
Chairperson of the Board

Manitoba Public Insurance

May 12, 2006

The Honourable John Harvard
Lieutenant Governor of the Province of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it please your honour:

I have the privilege of presenting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2006.

Respectfully submitted,

Gordon Mackintosh
Attorney General and Minister of Justice
Minister Responsible for the Manitoba Public Insurance Corporation

Manitoba

106-07117/

Contents

2005 Highlights	2
2005 Year-end Summary	3
Board of Directors	4
Message from the Chairperson	5
Executive	6
Message from the President	7
More of What You Value Most	8
Price	10
Coverage	14
Service	16
Access	18
Fair Practices Office	20
Management Discussion and Analysis	21
Responsibility for Financial Statements	39
Auditors' Report and Actuary's Report	40
Financial Statements	41
Notes to Financial Statements	45
Corporate Mission and Values	61
Manitoba Public Insurance Locations	Back cover

Manitoba Public Insurance is a non-profit provincial Crown corporation that has provided basic automobile coverage since 1971. We assumed a broader spectrum of services in 2004, when we merged driver and vehicle licensing into our operations. The corporation is governed by *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*.

Selected highlights of this Annual Report are available in French at www.mpi.mb.ca

Les grandes linges du rapports sont présentées en français dans le site www.mpi.mb.ca

2005 Highlights

CUSTOMER SERVICE AND VALUE

- Seventh year in eight with no rate increase
- Returned 93 cents of every premium dollar to Manitobans in the form of claims benefits
- Met or exceeded Customer Service Standards 96.6 per cent of the time

FINANCIAL MANAGEMENT

- Earned $175.7 million in investment income, reducing the cost of every premium by an average of $181 per policy
- Protected Manitobans from unforeseen events and increased financial stability by increasing Rate Stabilization Reserve to $136.1 million
- Increased sales of Autopac Extension and Special Risk Extension products by 6 per cent

ROAD SAFETY

- Provided Driver Education to 14,000 high school students
- Performed more than 30,000 interventions, ranging from advisory letters to licence suspensions, to improve driving habits
- Participated in more than 585 presentations reaching over 28,000 Manitobans

ECONOMIC CONTRIBUTION

- Generated more than $618 million in economic activity and 10,000 direct and indirect jobs in Manitoba*
- Returned more than $456 million to the Manitoba economy through the purchase of local goods and services*
- Purchased $79 million more bonds to support Manitoba municipalities, schools and health care facilities, bringing total investment in this province to more than $929 million
- Provided funding and support to more than 150 community organizations

* Source: Manitoba Bureau of Statistics

2005 Year-end Summary

Unless otherwise indicated, the following are 2005/06 fiscal year totals, covering the period March 1, 2005 to February 28, 2006.

DOLLARS AND CENTS

Approximate Autopac claims incurred costs per working day:	$2.3 million
Total Autopac claims costs for injury and property damage, respectively (before expenses):	$217.1 million and $360.0 million
Amount paid by Manitoba Public Insurance to Manitoba medical practitioners on behalf of customers:	$17.3 million
Commissions paid by Manitoba Public Insurance to independent insurance brokers for product sales:	$52.4 million
Grants-in-lieu of taxes paid to Manitoba municipalities by Manitoba Public Insurance:	$1.4 million
Provincial premium taxes paid by Manitoba Public Insurance (2005 calendar year):	$23.6 million
Estimated savings to policyholders through use of recycled parts:	$14.1 million
Estimated direct savings to policyholders through subrogation:	$12.0 million
Dollars invested in road safety programs:	$12.0 million

SIGNIFICANT NUMBERS

Average number of Autopac claims reported to Manitoba Public Insurance per working day:	1,012
Total Autopac claims reported:	253,080
Bodily injury claims reported:	15,820
Property damage claims reported:	237,260
Total theft claims reported in Winnipeg:	7,670
Total theft claims reported elsewhere in province:	1,470
Independent Autopac broker outlets, as of February 28, 2006:	313
Calls answered by Manitoba Public Insurance Call Centre:	890,637
Number of Autopac policies in force (2005 average):	857,018
Licensed drivers in Manitoba in 2005:	727,687
Average weekly visits to www.mpi.mb.ca:	19,836

FIVE-YEAR STATISTICS

	2005	2004	2003	2002	2001
Premiums Written ($000)	779,316	745,126	680,265	641,471	595,171
Claims Incurred ($000)	616,590	541,744	578,377	534,502	502,777
Number of Claims	253,080	255,804	243,401	227,259	239,753
Average Cost per Claim ($)	2,436	2,118	2,376	2,352	2,098
Claims Expenses ($000)	78,586	75,068	75,900	67,256	65,491
Other Expenses ($000)	164,991	133,483	116,802	108,922	98,298
Income (loss) ($000)	105,809	79,521	37,263	(22,605)	(16,056)
Investments at Year-end ($000)	1,877,148	1,625,022	1,446,417	1,263,090	1,168,865
Total Assets ($000)	2,218,895	1,970,078	1,767,615	1,558,435	1,431,476

Board of Directors

From left to right: Ed Arndt, Manisha Pandya, Daryl Reid, Mary Johnson, Marilyn McLaren Ex-Officio, **Shari Decter Hirst** Chairperson (seated), **Annette Maloney, Dale Paterson** (seated), **Andrew Clarke, Kerry Bittner** Vice-Chairperson

Message from the Chairperson

In 2005, Manitoba Public Insurance demonstrated how prudent management and strong partnerships can benefit customers today, tomorrow and into the future.

A great deal of corporate effort was focused on positive change for the future, but this intensive planning did not distract from the success of our core business today. By all accounts 2005 was remarkable in every way.

- For every $1 paid in premiums, we returned 93 cents to Manitobans in the form of claims benefits
- Manitobans filed 253,080 claims — nearly 3,000 fewer than in 2004/05
- We met or exceeded corporate-wide Customer Service Standards 96.6 per cent of the time
- We purchased more than $79 million in bonds to support Manitoba municipalities, schools and hospitals, bringing total investment in the province to $929 million
- Proactive measures helped reduce auto theft rates by 14 per cent — the largest decline in two decades

In addition, positive economic factors and prudent management resulted in record investment income in 2005, contributing to a $58 million rebate to customers. With this rebate, our customers have received two rebates totaling $138 million over the last five years.

We know Manitobans value predictability. That is why we have worked hard to provide nearly a decade of stable insurance rates, helping families manage their own budget. We will continue to maintain a strong Rate Stabilization Reserve to buffer the corporation and our customers from unexpected losses arising from non-recurring events or factors.

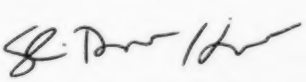
Manitobans also want these reserves to produce lasting benefits. That is why we created a $40 million immobilizer incentive fund to battle Manitoba's stubborn auto theft problem. In 2005, more than 12,000 Manitobans took advantage of our financial incentives to theft-proof their vehicles. In 2006, a new program targeting high-risk vehicles promises to begin paying dividends through lower insurance rates for all customers.

This was also a year to strengthen our governance structure and accountability to Manitobans. We reviewed all corporate risks and introduced a whistle-blower system that enables employees to anonymously report any suspected breaches of the corporation's financial control procedures. In 2005, the corporation also passed a legislative compliance audit that was carried out as part of a pilot program of the provincial Auditor General.

Our progress in each of these areas is motivated by an enduring commitment to improve value for customers. Building on core principles established 35 years ago, Manitoba Public Insurance continues to find the right balance of four important qualities — access to our products and services, low cost insurance, reliable coverage and high levels of service. It is by listening to Manitobans and understanding their needs that we can maintain and strengthen this balance.

This annual report illustrates how we are building on past successes and new opportunities to advance our position as a national leader in auto insurance. By working together, we can deliver more of what Manitobans value most.

On behalf of my colleagues on the Board of Directors, I would like to thank the staff, management and business partners of Manitoba Public Insurance for their dedication to excellent insurance protection and compassionate, responsive customer service. Their commitment is what defines our success today and shapes our future.



Shari Decter Hirst
Chairperson of the Board

Executive

From left to right: Kevin McCulloch Vice-President Corporate Legal, General Counsel and Corporate Secretary, **Marilyn McLaren** President and Chief Executive Officer, **Clarke Campbell** Vice-President Corporate Information Technology and Chief Information Officer, **John Douglas** Vice-President Corporate Public Affairs (seated), **Charles Rogers** Vice-President Corporate Resources, **Barry Galenzoski** Vice-President Corporate Finance, Chief Financial Officer and Chief Administration Officer, **Dan Guimond** Vice-President Corporate Insurance Operations (seated), **Wilf Bedard** Vice-President Corporate Claims

Message from the President

This year our annual report focuses on "the value equation" — specifically, the many different ways Manitoba Public Insurance is providing more value to customers every day.

Right now we are in a position to build value as never before. The merger of driver and vehicle licensing functions is opening doors to new opportunities — but more importantly, our past successes have provided all the tools we need to fully embrace these opportunities and convert them into real advantages for Manitobans.

Our plans for the year ahead would not be possible without a solid financial foundation, and I am pleased to report that we have finished 2005 with one of the strongest balance sheets in our history. A growing provincial economy, favourable investment climate and good weather bolstered corporate income to record levels, while prudent management maintained costs at 50 per cent of the Canadian insurance industry average.

Putting our plans into action will take solid partnerships — old and new. By leveraging our strong relationship with Manitoba's network of insurance professionals, we will be able to provide one-stop shopping for our customers while nearly doubling their choice of service outlets.

In 2005, we struck a new partnership to ensure Manitobans continue to get the highest standard of service at the lowest possible cost. Instead of developing new technologies for our driver's licence photo cards, we are partnering with Saskatchewan Government Insurance, a trusted neighbour with common goals. By working together, we will provide Manitobans with a better product at half the current cost of production.

We know that Manitobans ultimately pay for our public insurance system and that is why we protect their investment by controlling emerging risks.

Our fastest growing claims costs are associated with Manitoba's chronic auto theft problem. Year after year, this crime costs premium payers more than $35 million and erodes our community safety. That is why we do leading edge things like providing $40 million in incentives for vehicle owners who protect their vehicles with electronic immobilizers.

And finally, we can't provide strategies that add value unless we know our customers and understand their needs today and into the future. That means not simply providing the best financial value but also ensuring that we continue to provide Manitobans with among the very best protection and benefits in the country and services that meet our customers' expectations.

This balance is not attained easily. It is the product of careful listening and a lot of dialogue with Manitobans. While helpful in carrying out our daily business, this kind of information is invaluable when preparing for future changes.

Manitoba Public Insurance has the right fundamentals in place to face a challenging future. With a solid investment strategy, proper reserving and careful management, we can build on the successes that have brought Manitobans nearly a decade of rate stability and $138 million in rebates over the last five years.

Guided by our founding objectives, our dedicated staff and partners have built on that strategic advantage in 2005. The plans now in place will elevate the value equation in years to come.

Marilyn McLaren
President and Chief Executive Officer

your public auto insurance

more of what you value most

Our goal is to deliver the best combination of price, coverage, service and access — today and every day.

If you're a Manitoban, you're a customer of Manitoba Public Insurance, even if you don't own or drive a car today. Our sole purpose is to provide you with the greatest possible value from our products and services.

That was true in 1971, when our public auto insurance system was created. It still holds true today, as we introduce improvements made possible by the integration of driver and vehicle licensing services.

By listening to you and understanding your needs, we are strengthening the advantages of our public auto insurance system — the combination of qualities we call our Value Equation.

Four out of five Manitobans believe the value they receive for their auto insurance dollar is as good as or better than the value in any other province.

Manitobans believe value is about more than price. Given a choice, 74 per cent of our customers say they would choose the most complete coverage over the lowest cost insurance. Manitoba Public Insurance provides both.

The Value Equation

We talk to Manitobans regularly to better understand what they want and need from our public auto insurance system. This ongoing dialogue is the basis for our Value Equation, the combination of qualities that makes the Manitoba auto insurance system one of the best values in Canada.

This annual report shows the Value Equation at work in 2005 and beyond. Read on to learn how Price, Coverage, Service and Access add up to Value for you.

low, stable rates

where value begins

PRICE + COVERAGE + SERVICE + ACCESS = VALUE

No one beats Manitoba's record for low auto insurance rates. It's an advantage we protect for future generations.

By any measure, Manitoba auto insurance rates are a bargain. Earlier this decade, rates in many other provinces skyrocketed. By comparison, Manitobans have enjoyed nearly a decade of rate stability. That predictability helps Manitobans manage the family budget.

Strong investment markets have increased the bottom lines of insurance companies across Canada, including Manitoba Public Insurance. In our province, this financial gain is flowing back to Manitobans. For the second time in five years, our customers are getting money back — this year in the form of a cheque worth 10 per cent of the premiums paid for the 2004/05 insurance year.

Under the public auto insurance system, the customer is also the shareholder. You enjoy the benefits when we enjoy strong financial performance. And as we continue to focus on cost containment and financial stability, you can continue to expect the most affordable rates possible.

When asked why Manitoba Public Insurance provides good value, the most common reason cited by customers is low rates.

TWO PREMIUM REBATES IN FIVE YEARS

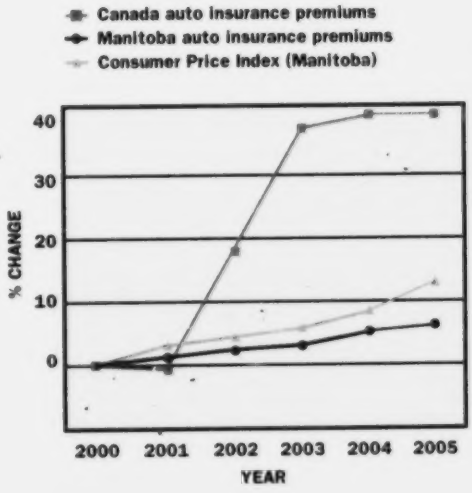
In 2005, the Public Utilities Board determined our corporation was strong enough to provide customers with their second rebate in five years.

2001 rebate		$80 million
2004 rebate	+	$58 million
Returned to customers		$138 million

Our shareholders are our customers. When the corporation succeeds, Manitobans enjoy the dividends.

CONSISTENTLY LOW PREMIUMS

Manitoba hasn't seen the steep increases in insurance rates experienced in other provinces. Our premiums have even grown at a slightly slower pace than the Consumer Price Index.



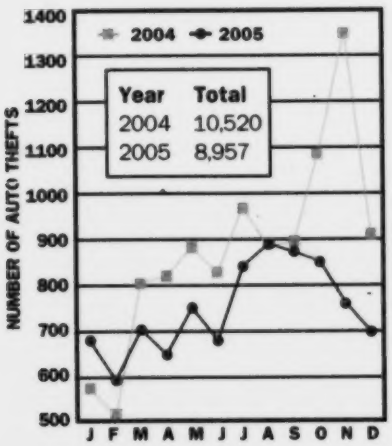
LOWER THEFT RATES MEAN LOWER PREMIUMS

Auto theft is the fastest-growing of all claims costs. In 2005, we launched the Immobilizer Incentive Program, a made-in-Manitoba solution with the potential to virtually eliminate the problem by the end of this decade.

During the first six months of the program nearly 12,000 Manitobans took advantage of financial incentives to theft-proof their vehicles. In the year ahead we will seek much higher participation from the owners of the vehicles most at risk, which account for 62 per cent of all theft claims, but make up only 10 per cent of the vehicles registered and insured in Manitoba.

The corporation also funds the Winnipeg Auto Theft Suppression Strategy (WATSS), which closely monitors chronic auto thieves through intensive curfew checks and contacts as frequently as every three hours. This co-operative partnership with Manitoba Justice and the Winnipeg Police Service is designed to suppress the climbing theft rate until the use of immobilizers becomes widespread.

Promising early results saw Manitoba auto theft rates decline more than 14 per cent in 2005 – the largest decline in two decades.



Five ways we protect our price advantage

1. LOSS PREVENTION

The single greatest influence on insurance rates is the cost of claims. That's why we're engaged in an active battle against insurance fraud. The Insurance Bureau of Canada believes that 10 to 15 per cent of all claims have an element of fraud — and those costs are a burden to the honest ratepayers who are the vast majority of our customers.

Our approach to fraud is aggressive and comprehensive, yet respectful of customer service. Everyone in the claims process is trained to recognize warning signs. They are assisted by Manitobans — about 1,500 every year — who call our TIPS line to report suspected fraud.

In 2005, we conducted more than 2,800 investigations that uncovered almost $13 million in fraudulent claims. Charges were laid in 45 cases, with an exposure of $713,000. Over the last four years, savings from fraud initiatives have totaled more than $50 million.

2. LOW OPERATING COSTS

Our goal is to keep operating costs to half the industry average. This efficiency makes it possible to consistently return at least 85 cents of every Basic premium dollar to Manitobans in the form of claims benefits — significantly better than the 65 to 70 cents on the dollar typically provided by private sector insurers. In 2005, the corporation's operating costs were 50.3 per cent of the industry average, allowing the corporation to use 97 cents of every Basic premium dollar for claim benefits.

The same concern for efficiency is guiding the integration of driver and vehicle licensing functions into our operations. The merger creates new opportunities to leverage technology as we streamline and reorganize our structures. These investments will improve customer service, respond to emerging needs and increase productivity for years to come.

3. INVESTMENT INCOME

Like all insurance companies, we keep funds in reserve to cover the ongoing needs of our current and future claimants, and to protect our various lines of business from sudden cost increases due to unforeseen events.

To make these reserves work harder for Manitobans, we invest the funds in a stable, managed portfolio and then use the returns to reduce our reliance on premium revenue.

Year over year, Manitoba Public Insurance's investment performance has been in the top quartile of Property and Casualty insurers. In 2005, the corporation's ratio of investment income to book value was 8.82 per cent — the second highest level in the last ten years. These strong investment returns helped create the conditions for the $58 million premium rebate returned to customers in 2006.

4. KEEPING CLAIMS COSTS AFFORDABLE

Technology and partnerships help us repair vehicles to the very best standards and at a cost about 35 per cent lower than the industry average.

Our Training and Research department works with international experts to stay on top of the latest repair techniques and then transfers that knowledge to the local automotive trade by delivering thousands of hours of training. Working with local auto recyclers, we've also developed a new computer system to locate recycled and aftermarket parts. These parts are used to repair older vehicles and then backed up with a written warranty.

In 2005, we found further savings by writing off fewer vehicles — a change that reduced customer inconvenience while reducing claims costs by more than $24 million.

5. PREPARING FOR THE UNEXPECTED

We maintain the Basic Rate Stabilization Reserve (RSR) to protect Basic Autopac rates from volatility caused by unforeseen events. In the event of a huge hailstorm or a sudden spike in personal injury claims, the RSR is there to cushion Autopac rate payers from significant premium increases.

This reserve is taking on new importance as the dynamics of the insurance industry change and the magnitude of risks facing the corporation increases. For example, higher reinsurance costs mean the corporation is now responsible for the first $10 million of loss caused by any hail storm — double the amount for which the company was responsible just two years earlier. The corporation is facing similar exposure when it comes to major injury claims. Today, the corporation pays for the first $5 million of these catastrophic claims, where just two years ago it paid only the first $2.5 million.

In response, the corporation has increased the RSR and is working with regulators to determine the right reserve target level to ensure future stability.

97%

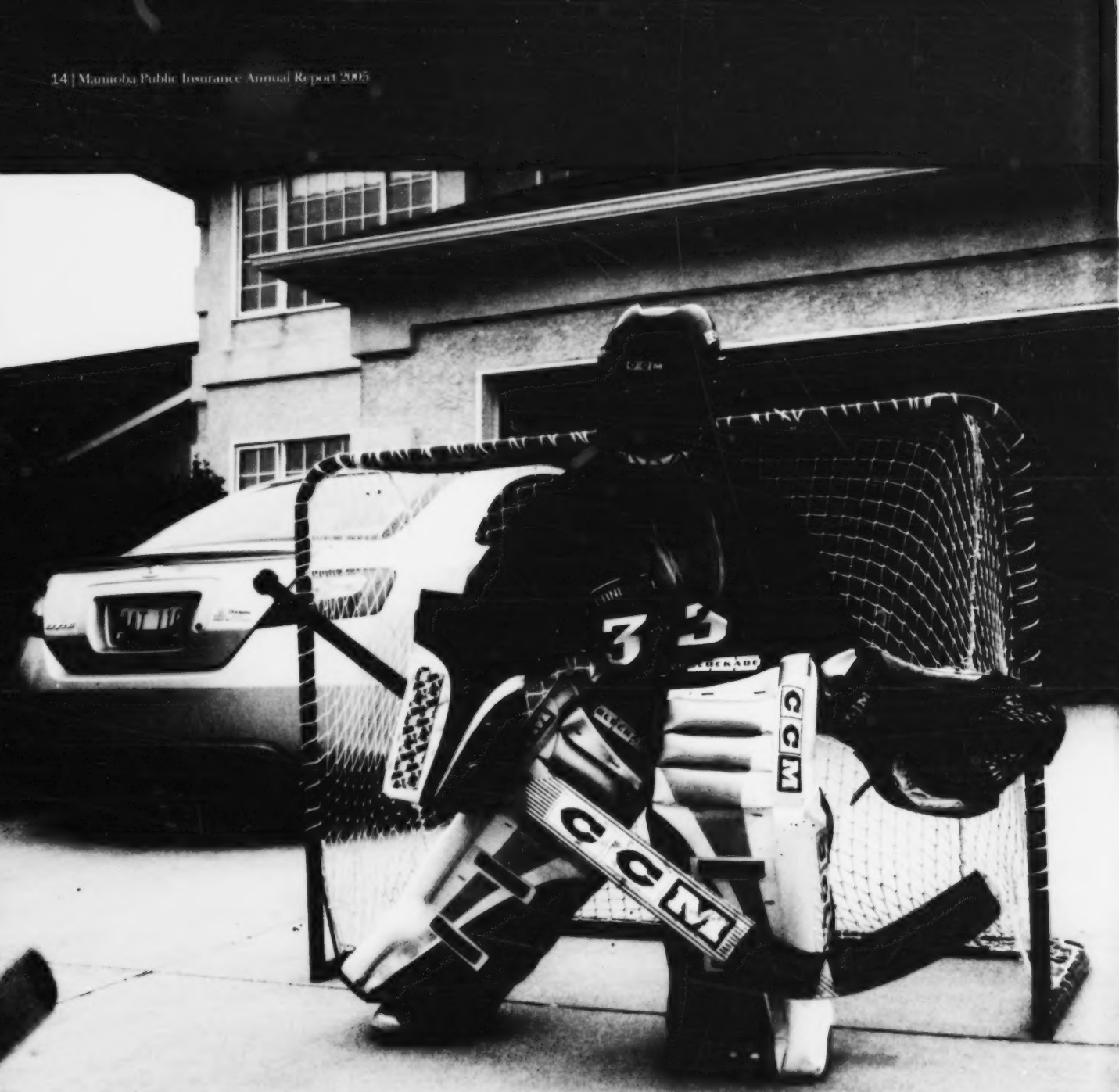
Returned to Manitobans in 2005

70%

Typically returned by other insurers

In 2005, about 97 cents of every Basic premium dollar was returned to Manitobans in the form of claim benefits. Private sector insurers typically return 65 to 70 cents per premium dollar. The corporation's low operating costs make this difference possible.

The Basic Rate Stabilization Reserve is taking on new importance as the dynamics of the insurance industry change.



superior coverage

the heart of the value equation

PRICE + COVERAGE + SERVICE + ACCESS = VALUE

Even more than low rates, Manitobans value quality coverage.

When you're in a serious collision, vehicle damage isn't your biggest concern. It's the personal toll — the physical trauma, the months of rehabilitation, the medical costs that can climb to several million dollars over a lifetime.

Compassionate service and fair compensation to seriously injured accident victims, for as long as they need it, is at the core of the Personal Injury Protection Plan (PIPP). This protection is available to all Manitobans hurt in motor vehicle collisions anywhere in Canada and the United States.

PIPP provides immediate access to high-quality benefits, regardless of who is at fault. Even if you don't own or drive a vehicle, you're entitled to treatment, expenses and income replacement for as long as necessary — just because you're a Manitoban.

Whether the need is to repair vehicles or restore personal independence, Manitobans can count on responsive, equitable benefits. The people who design and deliver these programs aren't just employees — we're customers too. Like you, we rely on Manitoba Public Insurance to provide the best combination of coverage and affordability.

The proportion of customers who say basic auto coverage is good and complete is higher in Manitoba than in any other province in Western Canada.

MEETING THE HIGHEST REPAIR STANDARDS

Manitoba has more than half of the gold class shops accredited in Canada by I-CAR, an international organization that has established auto body repair standards around the world. To promote high standards, the corporation maintains one of 26 facilities world-wide that conducts primary research on vehicle repair techniques.

COVERAGE FOR ALL — EVEN NON-DRIVERS

All Manitobans are customers of Manitoba Public Insurance – but some don't realize it. Even if you don't drive or own a vehicle, you have comprehensive bodily injury insurance, just by virtue of living in this province. And regardless of who was at fault in a crash, insurance benefits are provided to all.

TAILOR-MADE INJURY BENEFITS

The benefits provided by PIPP are among the most generous in North America. Our case managers work with clients and health care professionals to develop individual care plans and the best approaches to restore health and independence. The suite of benefits for an individual may include any or all of nine different types of assistance:

- Income Replacement Indemnity (IRI)
- Retirement Income Benefit (RIB)
- Child Care Expenses/Caregiver Indemnities
- Death and Funeral Payments
- Medical Expenses
- Rehabilitation Expenses
- Personal Care Expenses
- Lump-sum Student Indemnities
- Permanent Impairment Payments

Sweet
Corn
Pick
ples
convenient service
faster and easier access to value
PRICE + COVERAGE + SERVICE + ACCESS = VALUE

Get ready for a new age of convenience, with one-stop, same-date renewals plus more locations to choose from.

Imagine being able to access several insurance and licensing services in the same convenient location — perhaps just down the street or in the mall on a Saturday afternoon.

That level of convenience will be possible when Manitoba Public Insurance introduces a service delivery model that was extensively planned in 2005.

The two-stage transformation will begin late in 2006, when the province's entire network of more than 300 Autopac agents begins processing driver's licence renewals. Agents in rural Manitoba have renewed licences for many years. Now this convenience will be expanded to all urban agents and their customers in Winnipeg, Brandon, Portage la Prairie, Dauphin and Thompson.

We'll also use this transition period to bring together licence and insurance renewal dates. With just one trip to make, you'll get more value out of your annual visit to your Autopac agent.

It's the beginning of one-stop shopping for a multitude of driving needs. As we consolidate services, you can look forward to more service improvements.

WATCH OUR LOCATIONS GROW

When all Autopac agents in the province begin to renew driver's licences, the number of licensing service outlets will immediately grow by 70 per cent. In the years ahead, claim centres will gradually evolve into full service outlets, bringing more services to more communities throughout the province.

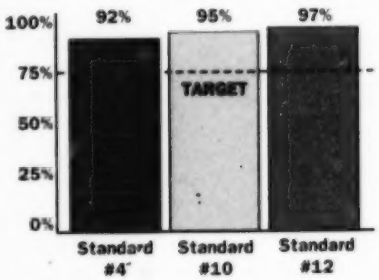
OUTLETS FOR	TODAY	UNDER FUTURE SERVICE MODEL
Driver's licence renewals and replacements	183	330+
Knowledge (written) tests	7	18
Road tests	7	18
Vehicle registration	6	19
Vehicle standards and inspections	3	13
Claims services	18	19

NEW TECHNOLOGY, NEW PHOTO CARD

Manitoba's new photo ID card will begin appearing in 2006, when a new camera system will be installed in all Autopac agent offices. The digital system will produce a higher quality card with new security features, and at a lower cost. In keeping with international standards, the photos will be printed in a central location and sent to customers after security processing.

MEASURING UP TO CUSTOMER EXPECTATIONS

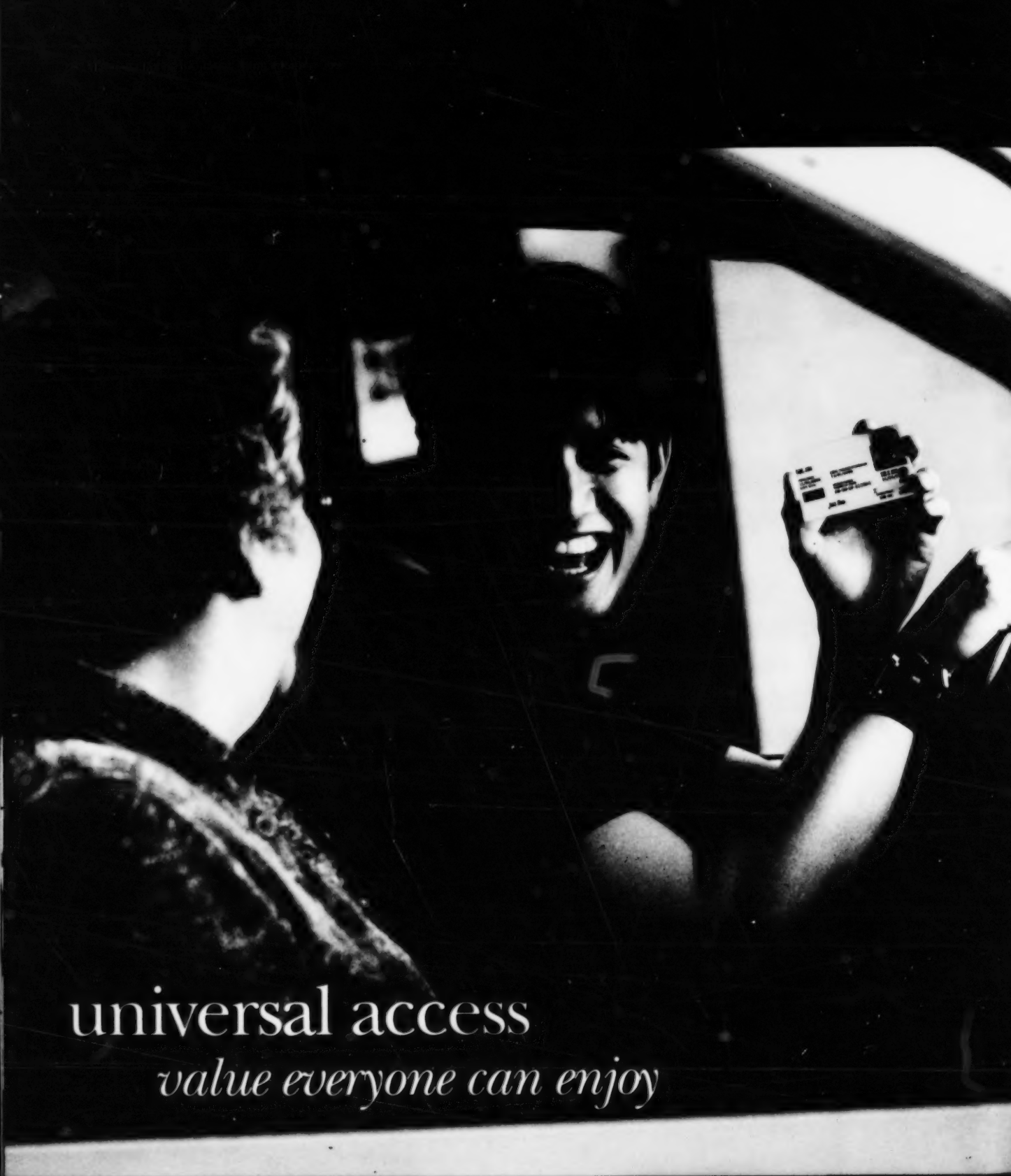
We're in contact with more than 42,000 Manitobans every day, whether it's through a claim, a call or a letter in the mail. We ensure the quality of our front-line service by comparing our performance to the stated expectations of customers. In 2005, customers told us we met or exceeded these service standards 96.6 per cent of the time. We'll build on this success in 2006 as we extend service standards into driver's licence services.



STANDARD #4
We will provide you with prompt service.

STANDARD #10
We will treat you courteously, politely and honestly.

STANDARD #12
We will accurately process your policy, account and claim transaction.



PRICE + COVERAGE + SERVICE + ACCESS = VALUE

In Manitoba, affordable, comprehensive insurance is within everyone's reach. It's an advantage not all provinces can provide.

It's no wonder so many people consider their vehicle a necessity. Being able to drive can open the door to a job, social opportunity and the achievement of life goals.

That's why our company was founded on the principle of universal access to auto insurance. You can't be turned away because of who you are or where you live. The system does not discriminate on the basis of age, gender, marital status or any other arbitrary factor.

For Manitoba's youngest and older drivers, access to auto insurance means access to opportunity and independence. While these two groups represent the greatest risk of being involved in a collision, about 85 per cent of these populations remain accident-free. We don't penalize these responsible drivers with exorbitant rates or deny them insurance simply because others in their age group engage in risky behaviour. Instead, we base rates mostly on individual driving experience, with penalties and surcharges for at-fault accidents and traffic infractions.

We take this access for granted in Manitoba, but it wasn't always that way. And although Manitobans have enjoyed universal access for 35 years, drivers in some other provinces still have difficulty getting access to affordable insurance that meets their needs.

CREATING A NEW GENERATION OF SAFE DRIVERS

Our Driver Education program helps high school students get the essential skills they need to become safer drivers.

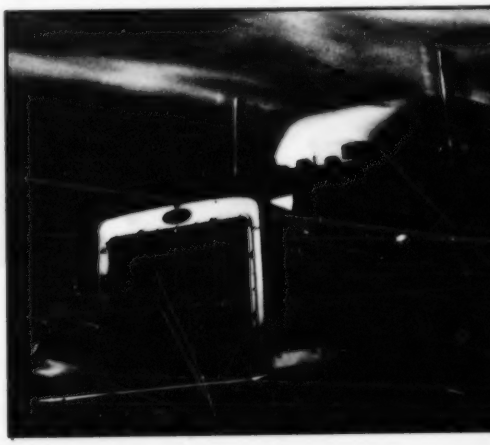
In 1999, we cut course fees by half to $50, eliminating any financial obstacle to this important training. Since then, annual registration has grown by nearly a third, making it the largest single driving training school in North America. Today, about 85 per cent of eligible 16-year-olds enrol in the program.

The course is offered through 160 Manitoba schools, including 92 in rural Manitoba and 13 in First Nations schools. The corporation will host a program in any school demonstrating an interest from 16 students.

In 2005, the program began administering Class 5 written tests, and in 2006, it will unveil a new Manitoba-specific textbook and curriculum aimed at increasing accountability and training time.

BUILDING A STRONGER TRUCKING INDUSTRY

For nearly two decades, we've played an important role in the growth of Manitoba's $1.2 billion trucking industry. Our Special Risk Extension line of business provides dependable protection at a fair price for each client, including the 430 smaller for-hire trucking companies that keep 95 per cent of the goods in this province moving.



Fair Practices Office

Our public auto insurance system strives for continuous improvement in all aspects of its operations, including those aimed at ensuring fair and appropriate service to customers. The Fair Practices Office (FPO) was formed in 1999 with this goal in mind. The office gathers input directly from Manitobans and other interested parties who wish to bring issues and concerns of a systemic nature to the attention of the corporation. It is free to scrutinize the corporation's policies and procedures in an objective and constructive manner.

The FPO is not a formal avenue of appeal, but customers who bring their concerns to the office's attention are assisted in determining the best "next steps" for their particular issues. Among the office's responsibilities is the investigation of all formal customer concerns presented to the provincial Ombudsman.

The office reports its observations directly to the President and Chief Executive Officer. It can recommend review of an issue and alerts senior management of any systemic concerns or policies that should be addressed.

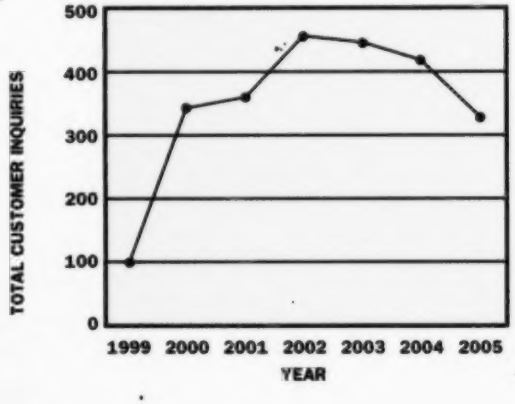
2005 RESULTS

In the 2005/06 fiscal year, the FPO received 324 documented customer inquiries from the following referral sources:

Customer	138
Formal/informal Ombudsman inquiries	137
Internal referrals	49

The FPO recommended the corporation revise its decision in 18 situations, or about six per cent of the cases it reviewed. In 94 per cent of the situations that were examined (306 of 324), the FPO's findings supported the original decision.

FAIR PRACTICES OFFICE



Management Discussion and Analysis

Corporate Profile

CORPORATE VISION

Manitoba Public Insurance will be a leader in automobile insurance and driver services, providing Manitobans with guaranteed access to superior products, coverage and value. We will anticipate and meet the evolving needs of Manitobans. We are dedicated to offering province-wide accessibility and, in co-operation with our business partners, will perform at the highest attainable levels of economy, efficiency and effectiveness.

Manitoba Public Insurance will make our roadways safer by enforcing standards for drivers and vehicles, and by raising awareness of the inherent risk of driving. We will develop educational programs and controls that help and encourage Manitobans to acquire the skills to avoid collisions.

Our people will deliver knowledgeable service with care, efficiency and justifiable pride, and will be appropriately recognized for their contributions in helping the corporation achieve its goals. Manitoba Public Insurance will be one of the best and most inclusive places in the province to work and pursue a career, where people will deliver knowledgeable and caring service in new and innovative ways.

We will ensure Manitobans understand and support the unique contribution Manitoba Public Insurance makes to the province of Manitoba.

CORPORATE GOALS, MEASURES AND STRATEGIES

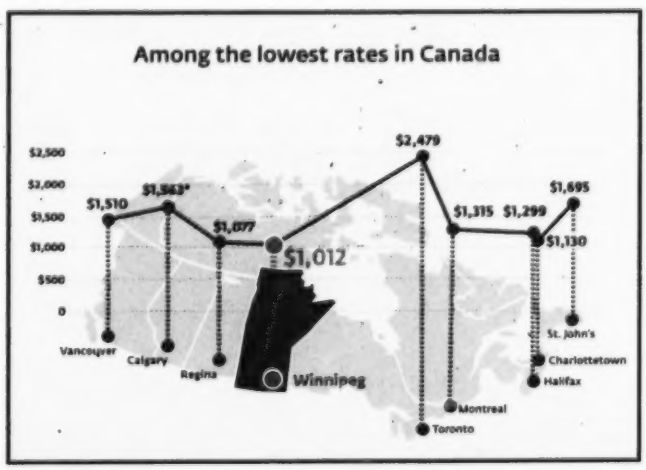
Manitoba Public Insurance strives to achieve seven broad Corporate Goals. Expected outcomes are measured and five-year key strategies have been developed to reflect and address the current realities of the corporation's marketplace and public environment, and to meet various stakeholder expectations and obligations. Several of the strategies, while presented in support of a particular Corporate Goal, also support other Corporate Goals. Manitoba Public Insurance's Corporate Goals, Measures and Strategies are as follows:

GOAL 1:

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

Measure: Among the lowest rates in Canada

Strategies:
Basic automobile insurance — To ensure that the basic, compulsory program meets the needs of Manitoba motorists for affordable, accessible and comprehensive coverage.



At right, rates based on: 2003 Chevrolet Impala (4 door, 6 cylinder). Based on $200 All Perils Deductible in Manitoba (similar deductibles elsewhere)

* Alberta's auto insurance reform "Grid Premium" maximum applied to premium quote

To keep all controllable costs at their lowest possible level through continuous focus on savings in claims and operating costs.

To improve the efficiency and convenience of Manitoba Public Insurance's distribution and service network by reducing or eliminating low value transactions.

To the maximum extent possible, leverage synergies offered by strategic partners that are mutually beneficial, improve customer service and reduce costs.

To increase the percentage of revenue derived from investment income while remaining within acceptable investment risk profiles.

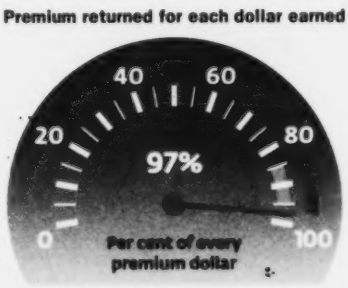
To create and maintain an information technology environment that is efficient, adaptable, expandable and current to capitalize on opportunities. We will use economies of scale, new technology and existing capabilities to improve customer service or reduce costs.

To maintain the Basic Insurance Rate Stabilization Reserve to protect vehicle owners from rate increases caused by unexpected events and losses resulting from non-recurring events or factors.

GOAL 2:

The Basic plan will return at least 85 per cent of premium revenue to Manitobans in the form of claims benefits.

Measure: Premium returned for every dollar earned



Strategies:
To maintain operating costs at a maximum of 50 per cent of industry average.

To break even over the long term on Basic automobile insurance.

To use investment income to reduce the average premium paid by Manitobans.

GOAL 3:

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

Measure: Public satisfaction with claims performance

Strategies:
To ensure Manitobans receive understandable information on Manitoba Public Insurance products, entitlements, services and service standards. The corporation will adopt a strategy that ensures messages reach the appropriate target groups at appropriate times.

Automobile Extension — To be profitable by providing products and services that continue to recognize the changing needs of our customers and

continue to successfully achieve high levels of customer satisfaction through strategic pricing, accessibility and convenience. To mitigate risk through appropriate product design and automated underwriting techniques.

Special Risk Extension — To be profitable by responding to the variable and specialized needs of our commercial customers and providing personalized auto-related insurance products that cannot be met by the universal, compulsory program or by the automobile extension program. To partner with customers in pursuing fleet safety and loss prevention initiatives. To provide Manitobans with a stable market choice that promotes long-term partnerships.

To improve the service relationship between drivers and vehicle owners and the corporation by modernizing business processes, reducing overlap and redundancy and ensuring all aspects of driver risk rating are consistent, clear and fair.

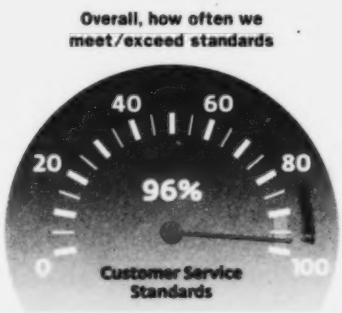
GOAL 4:

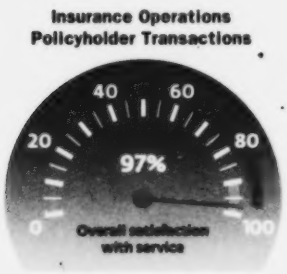
Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

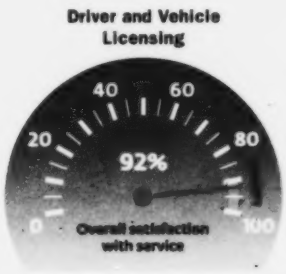
Measures:
How often we meet/exceed standards

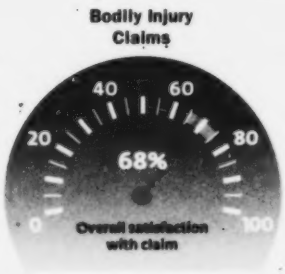
Customer satisfaction in major operational areas

- Physical damage claims
- Bodily injury claims
- Driver and vehicle licensing
- Insurance operations policyholder transactions









Strategies:
To create, publish and comply with comprehensive customer service standards for ourselves, brokers, business associates and service providers who are in contact with our customers.

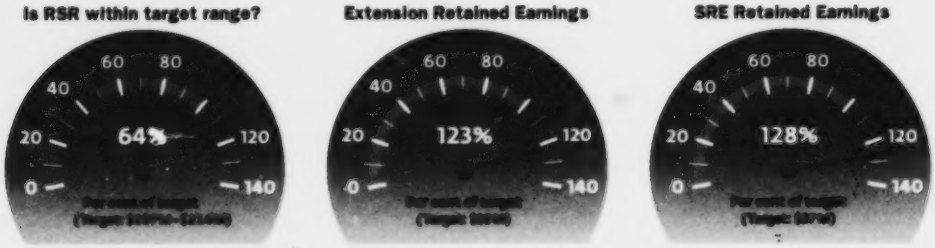
To promptly address and respond to legitimate concerns expressed by our customers. To provide internal and external appeal mechanisms.

GOAL 5:

Retained earnings and Rate Stabilization Reserve will be maintained within established target levels.

Measure:

Level of RSR and retained earnings



Strategies:
To maintain financial stability by setting appropriate premium rates, strengthening investment income and maintaining retained earnings and Rate Stabilization Reserve within established target levels.

To continuously identify and assess the likelihood and magnitude of potential risks and act explicitly to avoid and mitigate such risks.

To develop business strategies to ensure competitive lines of business are profitable and able to contribute to the Rate Stabilization Reserve to the benefit of all Manitobans.

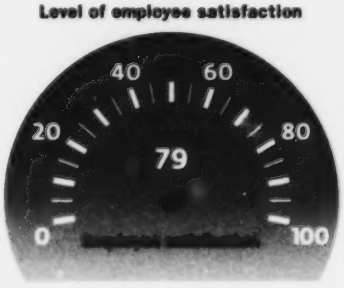
To assess corporate financial risk in keeping with industry standards and establish appropriate retained earnings and Rate Stabilization Reserve target levels for each line of business.

GOAL 6:

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

Measure:

Level of employee satisfaction



Strategies:
To foster a culture accepting of diversity. To attract, recruit, train and motivate target group candidates throughout the corporation. To build positive relationships within the Aboriginal community and to encourage employee involvement in this endeavour. To remove any systemic barriers that might impede our progress toward these goals.

To continue to respond to the issues raised by our employees. Particular emphasis will be given to providing clear direction and fostering a management style that reflects our values and supports employee commitment to the organization.

To use change management strategies that ensure communication, education and employee training support and facilitate business change.

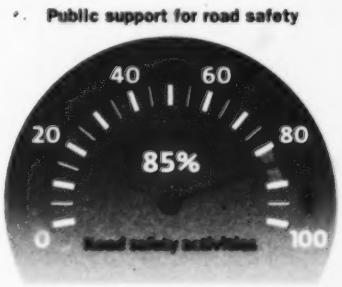
To ensure employees are provided with effective, informative and timely two-way communication.

GOAL 7:

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the corporation is living its mission.

Measure:

Public support for road safety activities



Strategies:

To ensure Manitobans meet and continue to maintain established standards of knowledge, skill and behaviour to gain access to Manitoba roads.

To ensure vehicles and vehicle repairs meet provincial standards of mechanical soundness.

To develop strategies and initiatives that support continuous vehicle and driver performance monitoring to ensure Manitoba roads remain safe for everyone.

To develop and manage education and awareness initiatives based on factors that contribute to automobile accidents and the actions Manitobans can take to prevent them.

To partner with community groups across Manitoba supporting community-based initiatives that increase road safety awareness and education opportunities.

Results of Operations

CURRENT YEAR AND LAST YEAR

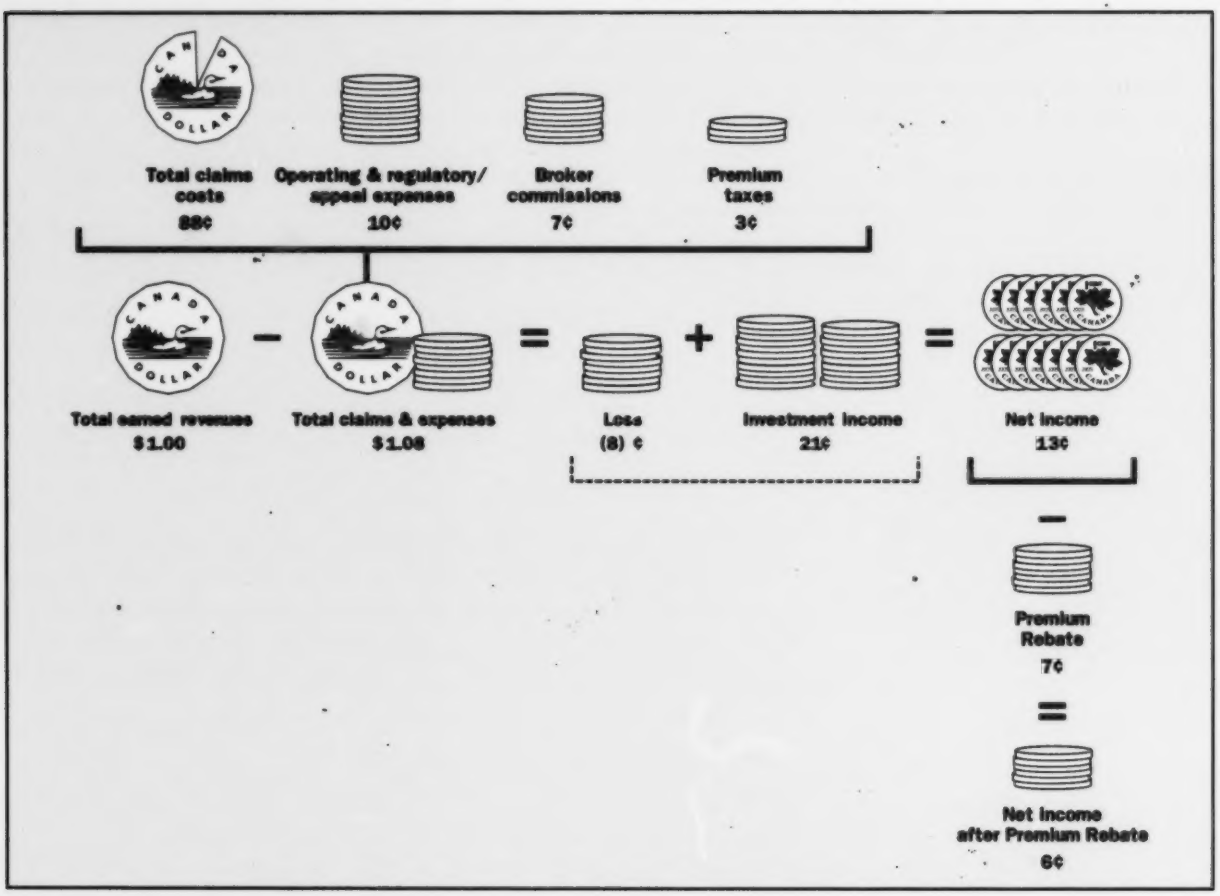
Corporate

An 88 per cent increase in earned investment income contributed to a strong income statement for the corporation as a whole in 2005/06. Other than the substantial increase in investment returns, operations performed as expected during a normal year.

Net income from annual operations of $105.8 million was $26.3 million higher than net income of $79.5 million the previous year. The improvement was largely due to increased earned revenues and investment income of $136.2 million, offset by increased claims costs and expenses of $109.9 million. An order by the Public Utilities Board resulted in a rebate of 10 per cent of 2004/05 Basic Autopac premiums totaling $58.0 million.

The corporation's financial mandate is to break even over the long term. For every dollar of revenue earned, total claims and expenses exceeded earned revenues by about 8 cents before investment income and the premium rebate. For every dollar of revenue earned, the corporation earned an additional 21 cents from investment income. After the premium rebate, the corporation's net income was about 6 cents for every dollar of revenue earned during the year.

WHERE YOUR PREMIUM DOLLAR HAS GONE



Total earned revenues for the year were $799.4 million, up $58.2 million from last year. Contributing to the growth in earned revenues were increases in the number and value of insured vehicles and a current year driver and vehicle licensing operations recovery of $21.0 million from the Province of Manitoba. Last year's recovery of $8.8 million represented five months of activity as Manitoba Public Insurance assumed responsibility for driver and vehicle licensing on October 4, 2004.

Earned investment income increased $78.0 million or 88 per cent, compared to last year, to $166.6 million. Gains from the corporation's equity portfolio were $69.8 million compared to $9.9 million last year and gains from the sale of bonds were $23.1 million compared to $8.0 million last year.

While the number of claims declined by more than 2,700 over 2004/05, total claims costs — including claims, loss prevention and road safety expenses — increased from last year by $82.4 million to $707.2 million. The increase was due mainly to an increase in severity of claims.

Development on prior years claims was better than expected. As a result, claims incurred decreased by $11.1 million for the year. Last year the corporation had a more substantial $48.0 million favourable development on claims of prior years.

The average cost of an Autopac (Basic and Extension) claim increased $283 to $2,279. The number of claims decreased slightly by 1.1 per cent to 253,080.

Total corporate expenses increased by $27.5 million to $153.0 million as the corporation continued to integrate driver and vehicle licensing operations and invest in customer service improvements made possible by the October 2004 merger. The additional cost of merging these functions was the major factor contributing to the $19.3 million increase in operating expenses. Driver and vehicle licensing operating expenses for the year were $26.7 million compared to $8.8 million last year, when expenses recorded represented five months of activity.

Basic

Net income from annual operations of $85.7 million was $25.8 million more than last year's net income of $59.9 million, due mainly to higher investment income.

Total earned revenues increased by $34.7 million to $632.7 million, reflecting increases in the number and value of vehicles insured. The number of policies in force increased from 842,585 to 857,018.

Total claims costs, including claims, loss prevention and road safety expenses, increased by $69.5 million to $559.2 million. Despite a significant number of weather-related claims, the total number of claims filed decreased to 253,080, down from 255,804 the previous year.

Bodily injury claims costs increased from the previous year by $54.4 million. Personal Injury Protection Plan (PIPP) claims rose by $39.7 million, due mainly to increased severity. Pre-PIPP weekly indemnity claims increased by $14.0 million.

Physical damage claims costs increased by $9.3 million from the previous year. Collision costs rose by $4.9 million. While the number of collision claims reported decreased to 122,471 in 2005/06 from 127,032 in 2004/05, the average cost per claim increased 6.2 per cent, rising to $1,693 from $1,594. Comprehensive costs

rose by $4.6 million because of the high number of weather-related claims in Manitoba during the summer of 2005. Weather-related claims incurred increased by $10.7 million over the previous year.

Also included in comprehensive costs are theft claims, which decreased 11.5 per cent or $3.6 million from the previous year. This marks the largest decline in more than a decade and comes after several years of steady increases.

	YEARS ENDED FEBRUARY 28/29				
	2006	2005	2004	2003	2002
TYPE OF CLAIM					
Chronic pain	61	46	66	73	173
Fatal	144	157	139	142	152
Brain damage	80	69	97	63	50
Quadriplegic	3	4	3	3	2
Paraplegic	9	5	8	7	1
Broken bones	728	703	811	640	688
Whiplash	12,725	12,490	12,249	9,425	8,749
Bruising/Lacerations	539	692	871	636	756
Other	1,531	1,510	1,449	4,432	3,987
Total	15,820	15,676	15,693	15,421	14,558

Basic's share of the corporate investment income increased by $68.4 million to $145.0 million. This improvement reflects increased gains realized from the corporation's equity and bond portfolios.

	YEARS ENDED FEBRUARY 28/29				
	2006	2005	2004	2003	2002
	(IN THOUSANDS OF DOLLARS)				
BASIC AUTOPAC FIVE-YEAR STATISTICS					
Premiums Written	631,693	605,939	558,378	537,235	506,722
Claims Incurred	520,962	457,221	513,548	467,715	433,873
Claims Expense	67,169	65,270	67,043	58,944	56,159
Other Expenses	103,923	92,243	87,768	83,849	76,201
Income (loss)	85,703	59,943	3,358	(30,135)	(11,707)

Extension

Operations reported net income of $9.2 million, $2.0 million more than reported last year. Extension net income of $15.3 million was offset by a $6.1 million loss resulting from the operation of driver and vehicle licensing functions.

During 2005/06, the corporation incurred expenses of $27.1 million to provide driver and vehicle licensing services, integrate administrative functions and prepare for customer service improvements. A $21.0 million recovery from the Province of Manitoba partially offset these costs.

Earned revenues from the sale of extension products increased by $9.1 million to $91.6 million. All products contributed to the increase. Total claims costs — including claims, loss prevention and road safety expenses — increased by $3.2 million to $64.6 million. Physical damage claims costs increased by $2.7 million, exhibiting the same trends as the Basic line of business. Injury claims remained consistent with last year, decreasing marginally by $0.3 million. Total expenses increased by $2.0 million from last year.

Higher gains on the corporation's equity and bond portfolios increased Extension's share of the corporate investment income by $4.2 million to $10.0 million.

	YEARS ENDED FEBRUARY 28/29				
	2006	2005	2004	2003	2002
	(IN THOUSANDS OF DOLLARS)				
EXTENSION FIVE-YEAR STATISTICS					
Premiums Written	92,205	85,751	73,182	61,494	52,325
Claims Incurred	55,786	53,449	46,425	38,677	45,314
Claims Expense	7,854	7,120	6,255	5,522	6,899
Other Expenses	49,753*	29,377*	18,015	15,241	13,402
Income (loss)	9,168	7,129	8,001	3,292	(11,606)

* Includes expenses related to driver and vehicle licensing functions, which were transferred to Manitoba Public Insurance from the Manitoba government in October 2004.

Special Risk Extension

Net income of $10.9 million was down $1.5 million from the previous year.

Total claims costs, including claims expenses, increased by $9.7 million to $43.4 million. Claims frequency remained stable, but greater severity increased physical damage claims costs by $4.3 million and liability claims by $4.4 million.

Higher gains on the corporation's equity and bond portfolios increased Special Risk Extension's share of the corporate investment income by $5.4 million to $11.6 million.

	YEARS ENDED FEBRUARY 28/29				
	2006	2005	2004	2003	2002
	(IN THOUSANDS OF DOLLARS)				
SRE FIVE-YEAR STATISTICS					
Premiums Written	55,418	53,436	48,705	42,742	36,124
Claims Incurred	39,842	31,074	18,404	28,110	23,590
Claims Expense	3,563	2,678	2,602	2,789	2,433
Other Expenses	11,315	11,863	11,019	9,833	8,695
Income	10,938	12,449	25,904	4,238	7,257

INVESTMENT INCOME

Substantial increases in investment income once again helped to reduce the average premium by providing an important source of revenue that would otherwise be payable by policyholders. In 2005, the revenue earned from investment income reduced the average vehicle premium by $181. Excluding the gains realized on the sale of equities and bonds, the revenue earned from investment income reduced the average vehicle premium by $83.

Investment income is generated mainly from investment of funds that are kept in reserve for three different purposes:

- the Rate Stabilization Reserve and Retained Earnings, which provide a financial cushion to protect against unusual one-time costs;
- funds kept in reserve to cover the cost of current and future claims for the different lines of insurance; and
- unearned premiums.

The corporation's investment portfolio rose to $1.9 billion by February 28, 2006, up from $1.6 billion a year earlier. It is primarily invested in three types of bonds:

- marketable bonds, mainly issued by the governments of Manitoba and other provinces (41.2 per cent of the total portfolio carrying value);
- non-marketable bonds issued by Manitoba municipalities, school divisions and health care facilities and purchased through the Manitoba Department of Finance (19.4 per cent); and
- real return bonds providing returns linked to the rate of inflation and issued by the Government of Canada (13.0 per cent).

Manitoba Public Insurance employs five external investment counsels to manage its Canadian equity portfolio, which represents 16.2 per cent of the total investment portfolio. A 6.0 per cent portfolio weight in United

States equities is achieved through two external investment counsels and an equity-linked note. Through the Manitoba Department of Finance, the corporation uses forward contracts to offset the effect of currency movement changes on its U.S. dollar denominated assets. Short-term investments account for 4.2 per cent of the investment fund and venture capital investments are less than one per cent of the portfolio carrying value.

The total portfolio, on a market value basis, returned 9.4 per cent during the fiscal year. Marketable bonds returned 5.5 per cent, non-marketable bonds 5.1 per cent, real return bonds 14.0 per cent and floating rate notes 2.9 per cent. Canadian equities returned 24.9 per cent over the same time period, and U.S. equities 3.5 per cent, including the currency hedge. Over a four-year period, the investment portfolio has achieved an annualized return of 8.6 per cent, which compares favourably to other investment portfolios.

Investment income for the year was $175.7 million — up $80.8 million or 85 per cent from last year — including bond interest payments, dividends and realized gains on sales of bonds and equities. Gains realized from the sale of equities for the current year totaled $69.8 million compared to realized gains of $9.9 million the previous year. Gains realized from the sale of bonds for the current year totaled $23.1 million compared to realized gains of $8.0 million last year.

RETAINED EARNINGS

Corporate retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

To maintain financial stability, the corporation strives to maintain adequate levels for the Basic Insurance Rate Stabilization Reserve (RSR) and competitive lines (Extension and Special Risk Extension) retained earnings. To address the adequacy of these reserves, the Board of Directors has approved target levels by line of business.

Manitoba Public Insurance supports the use of the Minimum Capital Test (MCT) to assess the corporation's financial risk and determine the capital adequacy of corporate reserves. This methodology assigns risk factors to a company's assets and policy liabilities, and is used by the Office of the Superintendent of Financial Institutions (OSFI) to determine whether federally regulated property and casualty insurance companies are maintaining adequate capital to absorb unexpected losses. These companies must carry 150 per cent of the capital required by the MCT in order to avoid special oversight from OFSI.

Manitoba Public Insurance's external actuary calculates the MCT annually to assist in reviewing and establishing the Basic RSR and competitive lines retained earnings targets. For the Extension and Special Risk Extension lines, the Board of Directors has based retained earnings target levels on the industry average MCT score of 214 per cent. The retained earnings target level for Basic is based on 50 to 100 per cent of the MCT.

Basic

Basic's retained earnings are comprised of the Rate Stabilization Reserve (RSR) and the Immobilizer Incentive Fund.

As of February 28, 2006, the Basic Insurance RSR totaled $136.1 million compared to $126.0 million the previous year. The current target level range for Basic RSR is $107.0 million to $214.0 million.

Funding for the RSR is derived from the annual operations of the Basic insurance plan. In 2005, additional funding of $19.4 million was transferred from the Extension and Special Risk Extension lines of business because they had exceeded their retained earnings target levels.

In 2005, the corporation established the Immobilizer Incentive Fund by appropriating $40.0 million from the Basic RSR. The fund provides financial assistance for vehicle owners to install electronic immobilizers and covers the administrative costs of the program. Activity during the year reduced the reserve to $37.1 million. Additional information is provided in the Notes to Financial Statements (note 19).

Extension

As of February 28, 2006, the retained earnings balance was $43.1 million compared to $45.0 million the previous year.

This balance was $8.1 million higher than the current target level of $35.0 million.

Special Risk Extension

As of February 28, 2006, the retained earnings balance was $47.2 million compared to $44.7 million last year.

This balance exceeded the current target of $37.0 million by $10.2 million.

Risk Management

UNPAID CLAIMS

Manitoba Public Insurance maintains provisions for unpaid claims on a discounted basis to cover its future claims commitments. The corporation makes provisions for future development on claims that have been made, and estimates requirements for those that may have occurred but have not yet been reported.

In the case of major injuries, only a small portion of the total benefit is paid in the first year. As time passes and more information is available, the estimates are revised to reflect the most current forecast of claims costs. The total amount paid on any single claim may be higher or lower than its initial reserve.

These differences are taken into account during annual reviews to determine the adequacy of the reserves. Adjustments, if needed, are calculated by the corporation's actuary. In conjunction with the annual audit of financial results, the corporation's external actuary assesses the corporation's reserves and provides an independent opinion of their adequacy.

This process has demonstrated a growing potential for volatility in financial results from year to year, as well as the growing importance of maintaining adequate capital. If the current $1.3 billion unpaid claims provision increased by five per cent, the impact on the corporation's annual bottom line that year could be approximately $65.0 million — about $25.0 million more than the risk of the same shift five years ago, when unpaid claims provisions totaled $0.8 billion. By 2010, unpaid claims provisions are expected to total $1.9 billion, and a five percentage point shift could have a $95.0 million negative impact on the corporation.

LIQUIDITY

Cash and cash equivalents are essential for managing the corporation's financial liquidity. Cash flows are monitored to ensure sufficient resources are available to meet current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for the future.

Cash flows provided by operating activities increased to $232.9 million from the $181.3 million reported last year, due mainly to higher gains on the sale of equities. Cash flows used for investing activities decreased $9.2 million to $201.3 million. A breakdown of the corporation's investment portfolio is included in the Notes to Financial Statements (note 5).

INVESTMENTS

The corporation's investment policy is aimed at covering corporate liabilities and generating income to help minimize policyholders' premiums. The investment policy ensures assets are managed in a manner that will maximize return while minimizing risk in the overall portfolio. Assets are diversified among various investment instruments such as short-term holdings, bonds and equities.

The Manitoba Department of Finance conducts all treasury and fixed income transactions on behalf of the corporation and contracts the services of five Canadian and two U.S. equity investment managers. Day-to-day operations of the portfolio are overseen by a working group comprising the Department of Finance and Manitoba Public Insurance officials. Reports are prepared and presented to the Investment Committee.

DRIVER AND VEHICLE LICENSING

The integration of driver and vehicle licensing functions in 2004 has increased the corporation's ongoing operating costs while presenting new opportunities to improve service for customers. To defray the costs to the corporation, the Province of Manitoba provides annual funding in the amount of $21.0 million, payable in equal monthly installments. This funding offset the costs recorded in 2005/06 of $27.1 million, resulting in a shortfall of $6.1 million.

Current projections indicate that the corporation's costs could exceed the annual funding by approximately $8.5 million in the next fiscal year. Once improvement initiatives are in place, the corporation expects these initiatives to reduce costs by about $5.0 million annually.

In 2005, the corporation amalgamated financial and information technology operations, and moved forward to completely integrate work flows and processes.

The most important milestone in 2005 was the development of a new service delivery model that will bring together licensing and insurance systems and processes for greater efficiency and the convenience of customers. By the end of 2006, this blueprint will yield several important improvements:

- The service network for driver's licence renewals will be expanded to include all Autopac agents throughout the province.
- Renewal dates for Autopac and licences will move toward full alignment, enabling customers to do both renewals at the same time and place.

- More time payment options will be available to driver's licence holders.
- The security of the driver's licence system will be improved through central printing and other anti-fraud measures.
- Most transactions will be processed in real time using a more fully automated and modernized system.

In 2004, these two organizations were run as stand-alone operations, which made costing more transparent. As the corporation begins to integrate functions to maximize efficiencies while enhancing service delivery, the ability to report on the discrete costs of many licensing functions will decrease in a comparable manner.

ROAD SAFETY/LOSS PREVENTION

Manitoba Public Insurance remains committed to Transport Canada's 2010 vision of having "the safest roads in the world" by the beginning of the next decade. The national targets call for a 30 per cent reduction in the average number of road users killed and seriously injured annually during the 2008 to 2010 period versus the comparable 1996 to 2001 timeframe. Manitoba Public Insurance has joined with the Royal Canadian Mounted Police and Manitoba Safety Council to adopt these targets and develop provincial measures to track the consolidated road safety efforts in Manitoba.

Overall, Manitoba is on track to achieving 2010 targets as measured by Transport Canada. In the first three years, the number of fatalities recorded in Manitoba by Transport Canada has declined 8.8 per cent to 99 in 2004 and the number of serious injuries has declined by 14.5 per cent to 489. Of the 16 sub-targets identified by Transport Canada, Manitoba has made positive progress in nine areas. Of the corporation's three primary road safety issues — drinking and driving, seatbelt wearing and speed — positive progress has been made in the number of fatalities and injuries associated with seatbelt wearing and drinking and driving. However, there has been a marked increase in the number of fatalities and serious injuries in 2004 related to speed when compared to the baseline average between 1996 and 2001.

Manitoba Public Insurance recognizes that a successful road safety environment requires a coordinated effort of education, enforcement and engineering initiatives. The corporation focuses its road safety efforts on education, awareness, community mobilization, research, monitoring and regulatory interventions. It also works with law enforcement agencies and transportation and safety officials at the federal, provincial and municipal levels. This approach allows partners to excel in their areas of expertise and responsibility while mutually supporting one another toward a common goal. The corporation continues to be concerned with the significant decline in roadway law enforcement efforts and the corresponding increase of Manitobans who believe that they can drink and drive and speed without the threat of being caught by law enforcement agencies.

In 2005, the corporation joined with other road safety partners to develop a cross-jurisdictional working group made up of regulators, law enforcement agencies, government departments, advocates and non-profit agencies. The Manitoba Road Safety Co-ordinating Committee has the goal of sharing information, developing coordinated strategies and partnering to improve the effectiveness of road safety initiatives.

Having assumed responsibilities for driver and vehicle licensing functions in 2004, the corporation introduced a more comprehensive monitoring system aimed at identifying changes in driver behaviour earlier. In its first year, the revised Driver Improvement and Control measures reached out to 30,000 Manitobans,

providing them with information about changes to their driving behaviour that put them and other users of the roadways at risk. Further integration of road safety efforts within the corporation in the years ahead will provide greater opportunity to address risky behaviours more effectively.

AUTO THEFT STRATEGIES

Costs associated with auto theft have increased faster than any other claims cost in the last five years. In addition to the $35.0 million economic cost of this crime, auto theft has become a community safety issue that has resulted in four people being killed and about 100 injured over the last two years. Public opinion surveys tell us that Manitobans want something done about this problem. About 87 per cent of respondents say that Manitoba Public Insurance should do whatever is necessary to reduce auto theft.

The corporation's multi-pronged response to auto theft tackles its immediate impact, the long term consequences and preventative actions aimed at the root causes of theft in Manitoba. This comprehensive strategy contributed to a 14 per cent decrease in auto theft in 2005. This improvement is the largest decline in more than a decade and comes after several years of steady increases.

The decline in thefts followed the launch of extensive prevention initiatives, including the Winnipeg Auto Theft Suppression Strategy (WATSS), an intensive monitoring and curfew check program focused on chronic auto thieves. While these early results are encouraging, WATSS is a capital- and resource-intensive program that may not be sustainable. The corporation entered into this program to stanch the rise in thefts until its longer-term initiatives to protect vehicles with electronic immobilizers begin to take hold.

Electronic immobilizers are a proven effective technology that uses a transponder system to cut the power to a vehicle's starter, ignition and fuel supply when the proper key or key fob is not present. In nine years of use throughout Canada, a vehicle equipped with an electronic immobilizer that meets the Canadian national standard has never been started and stolen. Awareness of immobilizers and their effectiveness in Manitoba has increased from 36 per cent in 2002 to 83 per cent in March 2006.

The corporation has dedicated $40.0 million to a fund to provide financial incentives to Manitobans who install electronic immobilizers that meet the Canadian national standard as recognized by the Insurance Bureau of Canada. The Auto Theft Immobilizer Strategy, while providing incentives to all Manitoba vehicle owners, is focused primarily on vehicles most likely to be stolen that are used in or to travel to Winnipeg. These vehicles represent only 10 per cent of the fleet but account for 62 per cent of theft claims. They have a one in 22 chance of being stolen. That compares to a one in 163 chance of theft among other vehicles in Winnipeg and a one in 177 chance of theft among all vehicles in the rest of the province.

By fiscal year-end, the number of vehicles in the province protected by factory installed and aftermarket immobilizers had increased to more than 135,000 — an increase of 35 per cent over the previous year.

Outlook

The corporation remains committed to achieving its seven corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

Under *The Crown Corporations Public Review and Accountability Act*, Manitoba Public Insurance is required to submit Basic Autopac rates to the Public Utilities Board (PUB) for approval. The corporation generally files its rate application in June of each year for the fiscal year beginning the following March.

Future accounting changes will require the corporation to recognize its investments on a mark-to-market basis. This change will become effective during Manitoba Public Insurance's 2007/08 fiscal year.

Basic Autopac Rates
On November 14, 2005, the PUB released its ruling on the corporation's rate application for the 2006/07 fiscal year. Effective March 1, 2006, Basic insurance rates and the main components of the plan were unchanged from the previous year.

Premium Rebate
Additionally, the PUB ordered the payment of a rebate estimated to be $58.0 million to Basic insurance policyholders during the 2006/07 fiscal year.

Net Income
Current projections indicate the corporation is expected to realize net income of approximately $28.6 million during the 2006/07 fiscal year due primarily to continuing high investment returns.

Business Process Review
The Business Process Review (BPR) is a series of projects that will provide added value for Manitobans. Through technology and business process improvements, the corporation is planning a number of enhancements to customer service, operating efficiency and road safety programs during the coming years.

The improved driver's licence system, slated for implementation in 2006/07, is the first major BPR project with a direct impact on customers. As this project moves to the implementation phase, the focus of corporate planning will turn to the next major BPR initiatives: the conversion of claim centres into multi-use Service Centres, and the development of a new Driver Safety Rating program to replace the existing discount/surcharge system.

Through the Service Centre project, the corporation will expand claim centre services to include driver testing, vehicle inspections and licence renewals. This will allow the corporation to gradually reduce the number of stand-alone locations for driver and vehicle licensing services. The project will also bring greater automation to these services to realize additional savings in operating costs.

In the year ahead, the project team will move forward with development of the technical solutions as well as a complete analysis of the physical changes needed at each of the corporation's facilities.

The aim of the Driver Safety Rating project is to bring greater consistency, simplicity and equity to Manitoba's

system of rewarding good drivers and penalizing bad ones. In that spirit, one of the project's objectives is to ensure that driving infractions are treated consistently throughout all operations of the corporation, including licensing, insurance and key safe-driving strategies such as the Driver Improvement and Control program.

As the new rating program and policies are developed, the corporation will consult extensively with customers and other stakeholders to ensure the new system is easy to understand and in tune with Manitobans' needs and values. As with the Service Centre project, there will also be a large technology development component that will proceed in tandem with public consultations.

Corporate Governance

Responsibilities of the Board
Manitoba Public Insurance was created by an act of the legislature to achieve the corporation's founding principles. The corporation's Board of Directors, appointed by the Government of Manitoba, ensures that corporate policies are consistent with its public policy mandate. The Board is also responsible for policy development and approval, and provides oversight and monitoring.

The corporation has a comprehensive annual strategic planning process, and the Board participates in the development and approval of a five-year strategic plan. From that document flow business strategies, human capital forecasts, premises and technology requirements as well as a financial forecast. Divisional plans and departmental strategies support the strategic plan.

Specific Board responsibilities have been delegated to six committees that meet quarterly to monitor risk and provide direct oversight. For example, the Audit Committee is responsible for evaluating about 40 specific risk profiles by likelihood and severity. These profiles were developed over time and are reviewed on an annual basis and placed into categories of high, medium and low risk. The Board committees include:

- Audit
- Budgeting and Operations
- Human Resources
- Investment
- Governance
- Executive

Under the provisions of *The Manitoba Public Insurance Corporation Act*, the Board chairperson is required to provide the Minister Responsible for Manitoba Public Insurance with an annual report, which is subsequently reviewed by the Standing Committee of the Legislature. Additional oversight is provided by the Crown Corporations Council, a body given legislative authority to conduct a mandate and strategy review of provincial Crown corporations, and the Public Utilities Board, which approves Basic Autopac insurance rates.

Whistleblower Hotline
In 2005, Manitoba Public Insurance became the first Crown corporation in the province to introduce an anonymous and confidential whistleblower hotline system for employees wishing to report inappropriate accounting, auditing and internal control matters. The corporation has retained the services of an

independent third party to collect information and provide reports directly to the Chair of the Audit Committee, the Corporate General Counsel and Manager of Internal Audit — recognizing that employees will be more likely to submit reports if a direct and private channel is open to them.

Should the identity of a reporting employee become known, despite the system's stringent provisions for confidentiality, corporate policy ensures there are no reprisals against the employee. The aim is to prevent and limit abuses of accounting, auditing and internal controls while protecting those who report such abuses.

Compliance to Legislative Authority Audit

In 2005, the Auditor General of Manitoba retained the corporation's external auditor to determine the corporation's compliance with specified legislative and related authorities pertaining to financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities. The audit was conducted as part of the corporation's overall audit under a pilot program of the Auditor General's Office.
The external auditor concluded that the corporation complied in all significant respects with the specified legislative and related authorities.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

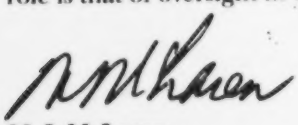
The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

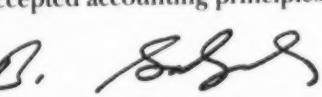
In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.



M. J. McLaren
President and Chief Executive Officer
April 27, 2006



B. W. Galenzoski
Vice-President Corporate Finance
Chief Financial Officer and
Chief Administration Officer

AUDITORS' REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 28, 2006 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 28, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
April 27, 2006

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2006 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
April 27, 2006

STATEMENT OF OPERATIONS

	YEARS ENDED FEBRUARY 28	
	2006	2005
	(IN THOUSANDS OF DOLLARS)	
		Restated (Note 4)
REVENUE		
Premiums written	$ 779,316	$ 745,126
Premiums earned (Note 9)	$ 762,613	$ 716,328
Service fees	15,795	16,121
Driver licensing operations recovery (Note 18)	21,000	8,750
Total earned revenues	799,408	741,199
CLAIMS COSTS		
Claims incurred (Note 9)		
Current year	627,698	589,740
Prior years (Note 8)	(11,108)	(47,996)
	616,590	541,744
Claims expense	78,586	75,068
Loss prevention/Road safety	12,041	8,017
	707,217	624,829
EXPENSES		
Commissions	51,868	46,615
Operating	74,285	54,999
Premium taxes	23,345	21,974
Regulatory/Appeal	3,452	1,878
	152,950	125,466
Total claims and expenses	860,167	750,295
Underwriting loss	(60,759)	(9,096)
Investment income, net (Note 11)	166,568	88,617
Net income from annual operations (Note 13)	105,809	79,521
Surplus distribution (Note 14)	(58,000)	–
NET INCOME AFTER SURPLUS DISTRIBUTION	$ 47,809	$ 79,521

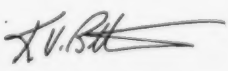
The accompanying notes are an integral part of these financial statements.

BALANCE SHEET	FEBRUARY 28	
	2006	2005
	(IN THOUSANDS OF DOLLARS)	
		Restated (Note 4)
ASSETS		
Cash and investments (Note 5)	$ 1,887,922	$ 1,638,967
Due from other insurance companies	7	49
Accounts receivable	232,902	222,652
Deferred policy acquisition costs	28,676	18,658
Reinsurers' share of unearned premiums	9,845	12,850
Reinsurers' share of unpaid claims (Note 8)	24,259	45,195
Property and equipment (Note 6)	31,409	31,019
Deferred development costs	3,875	688
	2,218,895	1,970,078
LIABILITIES AND RETAINED EARNINGS		
Due to other insurance companies	8,824	11,548
Accounts payable and accrued liabilities	93,906	29,146
Unearned premiums	385,827	370,546
Provision for employee current benefits	12,695	11,755
Provision for employee future benefits (Notes 4 and 7)	151,744	135,181
Provision for unpaid claims (Notes 8 and 12)	1,302,387	1,196,199
	1,955,383	1,754,375
Basic insurance retained earnings		
Rate stabilization reserve	136,071	126,004
Immobilizer incentive fund	37,063	–
	173,134	126,004
Competitive lines retained earnings (Note 15)	90,378	89,699
	263,512	215,703
	$ 2,218,895	$ 1,970,078

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson



Kerry Bittner
Director

STATEMENT OF RETAINED EARNINGS

	YEARS ENDED FEBRUARY 28	
	2006	2005
	(IN THOUSANDS OF DOLLARS)	
BASIC INSURANCE		
Rate Stabilization Reserve		
Balance beginning of year	$ 126,004	$ 42,773
Prior years adjustment (Note 4)	–	(10,619)
Balance beginning of year – restated at February 29, 2004	126,004	32,154
Net income from annual operations after surplus distribution (Notes 13 and 14)	27,703	59,943
Transfer from Competitive Lines (Note 15)	19,427	33,907
Transfer to Immobilizer Incentive Fund	(37,063)	–
Balance end of year	136,071	126,004
Immobilizer Incentive Fund		
Balance beginning of year	–	–
Transfer from Rate Stabilization Reserve	37,063	–
Balance end of year (Note 19)	37,063	–
Balance Basic Insurance Retained Earnings end of year	173,134	126,004
COMPETITIVE LINES		
Balance beginning of year	89,699	105,906
Prior years adjustment (Note 4)	–	(1,878)
Balance beginning of year – restated at February 29, 2004	89,699	104,028
Net income from annual operations (Note 13)	20,106	19,578
Transfer to Basic Rate Stabilization Reserve (Note 15)	(19,427)	(33,907)
Balance Competitive Lines Retained Earnings end of year	90,378	89,699
BALANCE RETAINED EARNINGS END OF YEAR	$ 263,512	$ 215,703

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	YEARS ENDED FEBRUARY 28	
	2006	2005
	(IN THOUSANDS OF DOLLARS)	
		Restated (Note 4)
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Net income after surplus distribution	$ 47,809	$ 79,521
Non-cash items:		
Amortization of property and equipment and deferred development costs	5,528	5,943
Amortization of bond discount and premium	(1,646)	840
Gain on sale of investments	(23,089)	(8,006)
Write-down of investments	(414)	3,439
	28,188	81,737
Net change in non-cash balances:		
Due from other insurance companies	42	3,295
Accounts receivable	(10,250)	(28,200)
Deferred policy acquisition costs	(10,018)	(6,789)
Reinsurers' share of unearned premiums and unpaid claims	23,941	8,294
Due to other insurance companies	(2,724)	(332)
Accounts payable and accrued liabilities	64,760	6,727
Unearned premiums	15,281	30,357
Provision for employee current benefits	940	1,988
Provision for employee future benefits	16,563	13,198
Provision for unpaid claims	106,188	71,004
	204,723	99,542
	232,911	181,279
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Acquisition of property and equipment net of proceeds from disposals	(5,064)	(5,907)
Purchase of investments	(762,117)	(616,461)
Proceeds from sale of investments	569,938	411,908
Deferred development costs incurred	(4,041)	–
	(201,284)	(210,460)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	31,627	(29,181)
Cash and short-term investments beginning of year	58,707	87,888
CASH AND SHORT-TERM INVESTMENTS END OF YEAR (NOTE 5)	$ 90,334	$ 58,707

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements February 28, 2006

1. STATUS OF THE CORPORATION

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations (note 12), the operations are reported as part of the Special Risk Extension line of business.

Operations pertaining to driver safety, vehicle registration and driver licensing including all related financial, administrative and data processing services were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. BASIS OF REPORTING

The financial statements of the corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary, in his verification of the information prepared by the corporation used in the valuation, also uses the work of the external auditors.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary outlines those accounting policies followed by the corporation which have a significant effect on the financial statements.

Investments

Funds available for investments are invested by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act.*

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down to market value when there is a decline in value that is considered other than temporary.

The corporation has invested in an equity-linked

note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any interest component arising from changes in the index is recorded currently in the Statement of Operations under the heading "Investment income, net."

Deferred Policy Acquisition Costs
Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment
Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Land improvements	25 years
Buildings	40 years
Equipment:	
• Data processing	3 years
• Automotive	5 years
• Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs
The costs of developing major information systems which are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums
The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

Provision for Employee Current Benefits
The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits
Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act.* Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation policy. The provision for

severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims
The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

Salvage and Subrogation
Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies
A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses
Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded
Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency
Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains

and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income, net," on a fair value basis.

Basic Insurance Rate Stabilization Reserve
The Basic Insurance Rate Stabilization Reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Immobilizer Incentive Fund
Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund will be used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

Retained Earnings
Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

Measurement Uncertainty
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. CHANGE IN ACCOUNTING POLICY

During the current year, the corporation changed its accounting policy to recognize changes in pension plan experience gains (losses), in the current period. Previously, experience gains (losses) were amortized over the expected average remaining service life of the employee group. This change has been retroactively applied and has changed certain amounts requiring a restatement of previously reported financial balances, for the fiscal year ended February 28, 2005.

Basic insurance retained earnings were decreased by $10,619,000 and competitive lines retained earnings were decreased by $1,878,000 as at February 29, 2004.

Net income was increased by $988,000, for all lines of business, for the fiscal year ended February 28, 2005. Increases, by line of business, pertain to Basic insurance in the amount of $838,000, Extension insurance in the amount of $98,000 and Special Risk Extension in the amount of $52,000.

Net income was decreased by $3,743,000, for all lines of business, for the fiscal year ended February 28, 2006. Decreases, by line of business, pertain to Basic insurance in the amount of $3,115,000, Extension insurance in the amount of $433,000 and Special Risk Extension in the amount of $195,000.

The provision for employee future benefits, reported on the balance sheet, was increased by $11,509,000 as at February 28, 2005.

5. CASH AND INVESTMENTS

	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	(IN THOUSANDS OF DOLLARS)			
Cash and short-term investments	$ 90,334	$ 90,334	$ 58,707	$ 58,707
Bonds				
Federal	334,055	360,399	271,502	296,870
Manitoba:				
Provincial	193,142	199,741	175,945	183,503
Municipal	80,638	79,954	58,681	58,960
Hospitals	27,573	27,349	14,581	14,596
Schools	311,157	311,157	293,851	293,851
Other provinces	308,826	331,504	361,006	381,413
Corporations	117,612	118,956	96,799	99,718
Equity-linked note	20,000	20,000	20,000	20,000
	1,393,003	1,449,060	1,292,365	1,348,911
Other	7,300	7,792	5,734	5,734
Equity investments	397,285	422,250	282,161	318,620
	404,585	430,042	287,895	324,354
	$ 1,887,922	$ 1,969,436	$ 1,638,967	$ 1,731,972

Fair value, for cash and short-term investments, approximates carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, certain hospitals, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values.

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $5,523,000 ($2005 – $5,963,000).

Short-term investments have a total principal amount of $79,560,000 (2005 – $44,762,000) comprised of provincial short-term deposits with effective interest rates of 3.30 per cent to 3.60 per cent (2005 – 2.35 per cent to 2.40 per cent), with interest receivable at varying dates.

The corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million. There were no drawdowns against this line of credit at February 28, 2006.

ii) Bonds — interest rate risk

		2006		2005	
	INTEREST RECEIVABLE BASIS	EFFECTIVE RATE	COUPON RATE	EFFECTIVE RATE	COUPON RATE
		% RANGE		% RANGE	
Federal	semi-annual	1.67 to 4.56	3.00 to 6.00	2.25 to 4.77	3.00 to 8.75
Provincial	semi-annual	1.70 to 5.76	2.00 to 8.50	2.48 to 5.76	2.63 to 8.50
Municipal	semi-annual	4.17 to 12.19	5.15 to 12.63	3.56 to 12.20	5.15 to 12.63
Hospitals	semi-annual	4.98 to 11.10	8.69 to 11.13	10.13 to 11.11	10.13 to 11.13
Schools	semi-annual	4.81 to 11.83	4.88 to 12.25	5.55 to 11.84	5.63 to 12.50
Corporations	semi-annual	3.56 to 5.20	3.49 to 11.00	2.62 to 5.01	2.62 to 11.00

iii) Bonds — maturity profile

2006	WITHIN ONE YEAR	ONE TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(IN THOUSANDS OF DOLLARS)			
Federal	$ 9,956	$ 71,173	$ 252,926	$ 334,055
Manitoba:				
Provincial	–	81,281	111,861	193,142
Municipal	293	10,097	70,248	80,638
Hospitals	–	14,386	13,187	27,573
Schools	1,775	42,658	266,724	311,157
Other provinces	6,869	72,127	229,830	308,826
Corporations	15,001	56,369	46,242	117,612
	33,894	348,091	991,018	1,373,003
Equity-linked note	–	20,000	–	20,000
	$ 33,894	$ 368,091	$ 991,018	$ 1,393,003

2005	WITHIN ONE YEAR	ONE TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(IN THOUSANDS OF DOLLARS)			
Federal	$ 569	$ 32,469	$ 238,464	$ 271,502
Manitoba:				
Provincial	4,205	66,575	105,165	175,945
Municipal	309	8,961	49,411	58,681
Hospitals	–	14,581	–	14,581
Schools	699	33,946	259,206	293,851
Other provinces	–	86,465	274,541	361,006
Corporations	–	74,792	22,007	96,799
	5,782	317,789	948,794	1,272,365
Equity-linked note	–	20,000	–	20,000
	$ 5,782	$ 337,789	$ 948,794	$ 1,292,365

Currency Risk

i) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in US dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the US $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

ii) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts which provide that the corporation sells a specified amount of US dollars at a predetermined forward exchange rate and purchases the same amount of US dollars at the prevailing spot rate on the settlement date. At February 28, 2006, the corporation has contracted to sell US $79,000,000 at a forward rate of 1.137995 and purchase the same amount of US dollars at the spot rate on March 31, 2006, which resulted in a loss of $2,300,000.

6. PROPERTY AND EQUIPMENT

	2006			2005
	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE	CARRYING VALUE
	(IN THOUSANDS OF DOLLARS)			
Land	$ 2,730	$ –	$ 2,730	$ 2,006
Land improvements	3,878	1,856	2,022	2,177
Buildings	27,772	10,482	17,290	17,322
Equipment	50,898	41,721	9,177	9,308
	85,278	54,059	31,219	30,813
Leasehold improvements	1,760	1,570	190	206
	$ 87,038	$ 55,629	$ 31,409	$ 31,019

7. PROVISION FOR EMPLOYEE FUTURE BENEFITS

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan, available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external pension actuary as at December 31, 2005, with the next scheduled actuarial valuation being December 31, 2006.

The actuarial valuation is based on the corporation's best estimate of various economic assumptions. Results from the most recent actuarial valuation, projected to February 28 and the corresponding economic assumptions are as follows:

	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2006	2005	2006	2005
ECONOMIC ASSUMPTIONS:				
Discount rate	5.65%	5.75%	5.65%	5.75%
Inflation rate	2.25%	2.00%	–	–
Expected salary increase	2.75%	2.75%	–	–
Expected health care cost increase	–	–	7.00%	6.00%

	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2006	2005	2006	2005
	(IN THOUSANDS OF DOLLARS)			
Balance, beginning of year	$ 110,532	$ 89,760	$ 24,649	$ 19,726
Prior years adjustment (Note 4)	–	12,497	–	–
Current service cost	5,756	5,042	2,370	1,979
Interest cost	6,461	5,960	343	253
Benefits paid	(2,587)	(2,184)	(1,301)	(943)
Actuarial (gains) losses	4,206	(543)	1,315	1,105
Transfer from Province of Manitoba	–	–	–	2,529
PROVISION FOR EMPLOYEE FUTURE BENEFITS	$ 124,368	$ 110,532	$ 27,376	$ 24,649
EMPLOYEE CONTRIBUTION	$ 4,865	$ 4,307	$ –	$ –

Plan Assets

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2006	2005	2006	2005
		RESTATED		
	(IN THOUSANDS OF DOLLARS)			
Plan expenses for the year:				
Current service cost	$ 5,756	$ 5,042	$ 2,370	$ 1,979
Interest cost (Note 11)	6,461	6,851	343	253
Actuarial losses (gains)				
Pertaining to interest (Note 11)	2,650	(613)	–	–
Pertaining to expense	1,556	(375)	–	–
Actuarial losses	–	–	1,315	1,105
	$ 16,423	$ 10,905	$ 4,028	$ 3,337

8. PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2006		2005	
	GROSS	REINSURERS' SHARE	GROSS	REINSURERS' SHARE
	(IN THOUSANDS OF DOLLARS)			
Automobile Insurance Division				
Liability	$ 1,177,963	$ 24,170	$ 1,077,295	$ 45,118
Physical Damage	119,067	89	111,055	77
	1,297,030	24,259	1,188,350	45,195
Discontinued Operations				
Personal/Commercial	5,357	–	7,849	–
	$ 1,302,387	$ 24,259	$ 1,196,199	$ 45,195

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

2006		2005	
BENEFITS	INTEREST RATE ASSUMPTIONS	BENEFITS	INTEREST RATE ASSUMPTIONS
Pre-PIPP Weekly Indemnity	3.0% per year	Pre-PIPP Weekly Indemnity	9.0% for six years and 3.0% thereafter
All other coverages	By year – 5.35% and 5.00% thereafter	All other coverages	By year – 5.70%, 5.35% and 5.00% thereafter
PIPP other than death and impairment	3.0% per year	PIPP other than death and impairment	3.0% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $224.8 million (2005 – $200.5 million) comprised of a claims development component of $140.3 million (2005 – $118.0 million) and an interest rate component of $84.5 million (2005 – $82.5 million).

No catastrophic losses are included in net incurred claims and adjustment expenses during the current fiscal year (2005 – $ nil). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at values which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 28, 2006 for prior years, are as follows:

	ACCIDENT YEARS				
	2005	2004	2003	2002 AND PRIOR	TOTAL
	(IN THOUSANDS OF DOLLARS)				
Net unpaid claims (valuation estimate as at February 28, 2005)	$ 277,170	$ 163,357	$ 124,492	$ 585,997	
Net payments for the year	111,319	16,986	6,923	29,481	
	165,851	146,371	117,569	556,516	
Net unpaid claims (revised valuation estimate as at February 28, 2006)	141,187	137,885	104,053	592,074	
(Redundancy) Deficiency	$ (24,664)	$ (8,486)	$ (13,516)	$ 35,558	$ (11,108)
Prior years (redundancy) deficiency		$ (18,771)	$ (9,577)	$ (19,648)	$ (47,996)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $133.5 million (2005 – $130.2 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2006 are $2.4 million (2005 – $0.3 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

9. REINSURANCE

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2006, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2005 – $3.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $10.0 million (2005 – $10.0 million). These arrangements protect the corporation against losses up to $166.7 million (2005 – $150.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

The figures shown in the Statement of Operations, excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies:

	2006	2005
	(IN THOUSANDS OF DOLLARS)	
Premiums earned	$ 15,535	$ 16,131
Claims incurred	$ (23,086)	$ (660)

The corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $0.6 million (2005 – $0.7 million).

10. OPERATING LEASE COMMITMENTS

The corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

FISCAL YEAR	2007	2008	2009	2010	2011	THEREAFTER
	(IN THOUSANDS OF DOLLARS)					
Minimum lease payments	$ 2,962	$ 2,778	$ 2,788	$ 2,731	$ 2,605	$ 5,844

11. INVESTMENT INCOME, NET

	2006	2005
	(IN THOUSANDS OF DOLLARS)	
Total investment income	$ 175,679	$ 94,855
Less allocation to:		
Provision for pension benefit plan (Note 7)	9,111	6,238
Investment income, net	$ 166,568	$ 88,617

Included in total investment income are cash dividends of $7.3 million (2005 – $5.4 million).

12. DISCONTINUED GENERAL INSURANCE OPERATIONS

The corporation discontinued writing reinsurance assumed business effective November 18, 1987, and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987, including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $2.9 million (2005 – $0.6 million) which is reported as part of the Special Risk Extension line of business (note 13). Included in the provision for unpaid claims is $5.4 million (2005 – $7.8 million) relating to discontinued operations.

13. NET INCOME FROM ANNUAL OPERATIONS

The lines of business reported net income from annual operations as follows:

	2006	2005
	(IN THOUSANDS OF DOLLARS)	
		Restated
Basic insurance	$ 85,703	$ 59,943
Extension insurance	9,168	7,129
Special Risk Extension	10,938	12,449
	20,106	19,578
Net income from annual operations	$ 105,809	$ 79,521

14. SURPLUS DISTRIBUTION

On November 14, 2005 the Public Utilities Board of Manitoba released its ruling on the corporation's 2006/2007 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2004/2005 rates. The surplus distribution, estimated to be $58.0 million, is recognized in 2005/2006 and will be paid to policyholders during the 2006/2007 fiscal year.

15. TRANSFER OF RETAINED EARNINGS

On March 1, 2005 the corporation transferred to the Basic Insurance Rate Stabilization Reserve retained earnings of $19.4 million (2005 – $33.9 million) from its competitive lines of business.

16. FAIR VALUE DISCLOSURE

The fair value of financial assets and liabilities, other than cash and investments (note 5) and provision for unpaid claims (note 8) approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

17. EXTERNAL AUDITOR AND EXTERNAL ACTUARY COSTS

The Basis of Reporting note (note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

	2006	2005
	(IN THOUSANDS OF DOLLARS)	
KPMG LLP		
Audit fees	$ 135	$ 114
Advisory fees	2	1
Total	$ 137	$ 115
ERNST & YOUNG LLP		
Valuation of policy liabilities fees	$ 94	$ 74
Actuarial advisory fees	72	56
Management advisory fees	18	27
Total	$ 184	$ 157

18. DRIVER LICENSING OPERATIONS RECOVERY

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation which includes all aspects pertaining to driver safety, vehicle registration and driver licensing including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation, in the amount of $21.0 million annually, into perpetuity, payable in equal monthly installments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

	2006	2005
	(IN THOUSANDS OF DOLLARS)	
Vehicle registration fees	$ 97,075	$ 90,177
Driver licensing fees	18,808	7,591
	$ 115,883	$ 97,768

19. IMMOBILIZER INCENTIVE FUND

Activity in the Immobilizer Incentive Fund includes:

	2006
	(IN THOUSANDS OF DOLLARS)
Balance beginning of year	$ –
Transfer from Basic Insurance Rate Stabilization Reserve	40,000
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs	(2,937)
Balance end of year	$ 37,063

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year to fund the Immobilizer Incentive Program.

Program costs incurred are included in the "net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve."

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.

Our Mission

WORKING WITH MANITOBANS TO REDUCE RISK ON THE ROAD

At Manitoba Public Insurance we value...

OUR CUSTOMERS

Our customers' interests are at the heart of everything we do. We balance the individual customer's needs with the needs of Manitobans as a whole. We base our relationships on respect, fairness, honesty and integrity. We safeguard the confidentiality of information and personal privacy. We are committed to the highest ethical standards and excellence in service.

OUR PEOPLE

Our people are given the training, tools and encouragement they need to succeed. We provide a respectful, inclusive and safe environment where our staff is skilled, confident and committed to the Corporate Mission. We provide our people with clear and consistent direction. Our people have the authority they need to do their jobs, providing a sense of achievement from their work, and the opportunity for career growth and advancement. We encourage and support our people to make a positive contribution, both inside and outside the workplace.

WORKING TOGETHER

We work cooperatively with each other and with our business associates, sharing expertise, ideas and resources. Each of us, in our daily work, creates a team environment, drawing on one another to do the best job possible. Our communication with one another is respectful, appropriate and helpful.

FINANCIAL RESPONSIBILITY

Manitoba Public Insurance holds the funds of its policyholders in trust to meet their needs into the future. We operate in a fiscally responsible and cost-effective manner, using investment income to reduce rates and provide long-term benefits to Manitobans.

EXCELLENCE AND IMPROVEMENT

We constantly improve our products, services and procedures. As our customers' needs and the business environment continue to change, so must we. We value initiative, creativity and a strong desire for personal, team and corporate success in everything we do. We recognize and reward excellence and improvement in our work.

OUR CORPORATE CITIZENSHIP

We lead by example, conducting our affairs responsibly and professionally. We contribute to the social and economic well-being of our communities as well as the sustainable development of Manitoba now and into the future.

ADMINISTRATIVE OFFICES

Brandon
731–1st Street R7A 6C3
Tel: 729–9400
Head Office and Special Risk Extension

Winnipeg
Box 6300 R3C 4A4
Tel: 985–7000

Outside Winnipeg
Tel: 1–800–665–2410
Deaf access TTY/TDD
Tel: 985–8832

CLAIM OFFICES

WINNIPEG LOCATIONS

North
445 King Street R2W 5H2
Fax: 942–8317

North Central
1103 Pacific Avenue R3E 1G7
Fax: 783–2764

South
930 St. Mary's Road R2M 4A8
Fax: 254–0308

South Central
420 Pembina Highway R3L 2E9
Fax: 284–7675

West
125 King Edward
Street East R3H 0V9
Fax: 783–0374

Casualty and Rehabilitation
Box 6300 R3C 4A4
Tel: 985–7200

Rehabilitative Case Management
Box 6300 R3C 4A4
Tel: 985–7200

Bodily Injury
Box 6300 R3C 4A4
Tel: 985–7000

Physical Damage Centre
1981 Plessis Road
Box 45064
Regent Postal Outlet R2C 5C7
Tel: 985–7771

Holding Compound
Tel: 985–7766

Salvage
Tel: 985–7844

Commercial Claims
Tel: 985–7877

PROVINCIAL LOCATIONS

Arborg
323 Sunset Boulevard
Box 418 R0C 0A0
Tel: 376–6633

Beausejour
848 Park Avenue
Box 100A R0E 0C0
Tel: 268–6400

Brandon
731–1st Street R7A 6C3
Tel: 729–9555 Claim Centre
Tel: 1–800–852–2743 Rural

Dauphin
217 Industrial Road
Box 3000 R7N 2V5
Tel: 622–2750

Flin Flon
8 Timber Lane
Box 250 R8A 1M9
Tel: 681–2200

Portage la Prairie
2007 Saskatchewan
Avenue West
Box 1150 R1N 3J9
Tel: 856–2600

Selkirk
630 Sophia Street R1A 2K1
Tel: 482–1400

Steinbach
91 North Front Drive
Box 2139 R5G 1N7
Tel: 326–4453

Swan River
125–4th Avenue North
Box 1959 R0L 1Z0
Tel: 734–4574

The Pas
424 Fischer Avenue
Box 9100 R9A 1R5
Tel: 627–2200

Thompson
53 Commercial Place
Box 760 R8N 1N5
Tel: 677–1400

Winkler
355 Boundary Trail
Box 1990 R6W 4B7
Tel: 325–9538

DRIVER AND VEHICLE LICENSING CENTRES

WINNIPEG LOCATIONS

1075 Portage Avenue R3G 0S1
Tel: 985-1100

3137 Portage Avenue R3K 0W4
Tel: 985-1100

1504 St. Mary's Road R2M 3V7
Tel: 985-1100

2020 Corydon Avenue R3P 0N2
Tel: 985-8992

2188 McPhillips Street R2V 3C8
Tel: 985-8984

1006 Nairn Avenue R2L 0Y2
Tel: 985-8043

PROVINCIAL LOCATIONS

Portage la Prairie
Provincial Building
25 Tupper Street N. R1N 3K1
Tel: 856-2624

Brandon
602 1st Street (at McTavish Ave.)
R7A 6K5
Tel: 729-9487

Dauphin
Provincial Building
27-2nd Avenue S.W. R7N 3E5
Tel: 622-2783

Thompson
Provincial Building
105 – 59 Elizabeth Drive
R8N 1X4
Tel: 677-1421

Manitoba Public Insurance

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